ANNUAL REPORT 2016

ASICS SPIRIT

ASICS is an acronym of the Latin phrase "Anima Sana In Corpore Sano," which translates as 'a sound mind in a sound body.' This reflects our founder's belief that sport and health bring benefits for not just our bodies, but also our mental wellbeing, as well as our culture and society as a whole. This core belief remains at the heart of our Founding Philosophy to this day.

Our firm belief in the benefits of sport and health is also the foundation of the ASICS SPIRIT, which comprises our philosophy, vision and values. The ASICS SPIRIT drives everything we do, including our efforts to become a more sustainable business and contribute to the lives of people everywhere.

PHILOSOPHY

Founding Philosophy

"Anima Sana In Corpore Sano"

Corporate Philosophy

1. Provide valuable products and services through sport to all our customers
2. Fulfill our social responsibility and help improve conditions for communities around the world
3. Share profits brought by our sound services with our shareholders, communities and employees
4. Maintain a spirit of freedom, fairness and discipline, respectful of all individuals

VISION

Create Quality Lifestyle through Intelligent Sport Technology

VALUES

Sportsmanship

1. Respect Rules
2. Be Courteous
3. Be Persistent
4. Work as One Team
5. Be Prepared
6. Learn from Failure

CONTENTS

ASICS' STRENGTHS

Our strengths as a company lie in the enduring relationships we have built with all stakeholders — our shareholders, customers, business partners and employees – and the trust they have in our technology, products and brands, cultivated over many years in business fields centered on sports.

Founder Kihachiro Onitsuka engaged in product development with the belief that consumers would appreciate products with superior performance. He initially focused on basketball shoes — a product with the most sophisticated and challenging technologies at the time. He rose to the challenge, helping ASICS accumulate a wealth of technology and experience along the way. The ASICS Institute of Sport Science (ISS) was established in 1985 with the remit to develop products based on biomechanics and human-centric science, supplementing the instincts and experience of craftsmen. Our goal was to create unique, innovative products with high added value. That strong emphasis on technology lives on in the Company to this day.

We conduct various research and design activities covering materials design to structural design, aimed at enhancing product performance through human-centric design processes. We observe and analyze the movement of athletes and work with them to identify necessary improvements, resulting in products that outperform existing or competitor products. This is a recurring process that leads to incremental gains in product performance.

1950: FIRST SPORTS SHOES RELEASED

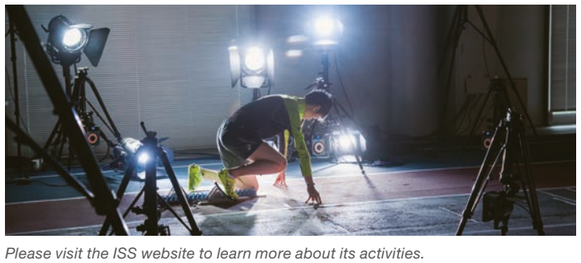
The first sports shoes made by Onitsuka Co., Ltd. were basketball shoes. At the time, basketball shoes were considered to be the most difficult sports shoes to manufacture, so it was our founder Kihachiro Onitsuka's vision that if we could overcome a high hurdle at the start, other challenges would be easier later on.

1986: GEL TECHNOLOGY LAUNCHED

GEL is now one of our most recognized footwear materials. Freaks α was the first jogging shoe to incorporate αGEL, a new shock-absorbing material designed to protect runners' feet.

1985: ASICS INSTITUTE OF SPORT SCIENCE ESTABLISHED

ISS plays a key role in the development of ASICS technologies, products and services. With a focus on "human-centric science," the institute conducts research into materials and structures by analyzing human biomechanical characteristics. Research activities also cover the evaluation of production technology, products and materials, giving the institute insights into research from multiple perspectives.



Please visit the ISS website to learn more about its activities.
http://corp.asics.com/en/about_asics/institute_of_sport_science

ASICS' HISTORY

We have contributed to quality lifestyle for people around the world with "Intelligent Sport Technology."

From the earliest days of the Company, we have consistently released innovative technologies, products and services designed to create quality lifestyle and help people realize their full potential. We have worked to improve the performance of our sporting goods, while also drawing on the designs and styles of those sports products to create two other brands, Onitsuka Tiger and ASICS Tiger.

Learn more
You can learn more about our history on our corporate website
http://corp.asics.com/en/about_asics/history

1949-1977

We have always been dedicated to developing highly functional products. We focused on developing products that help athletes achieve their best performance. Those products also became popular with consumers overseas.

1955 Wrestling Shoes

Until this point, wrestling shoes were made of leather. We started using lightweight nylon uppers, driving dramatic growth in wrestling shoe sales in the U.S.

1960 MAGIC RUNNER Marathon Shoes

Took inspiration from air-cooled motorbike engines, incorporating a vent system to circulate air within the shoe. This succeeded in keeping blisters to a minimum.

1966 RUNSPARK DS-SP Track & Field Shoes

RUNSPARK DS-SP were sold with three sets of pins with different lengths, allowing athletes to choose the best pins for their event and prevailing track conditions.

1977-2000

We used the latest biomechanics research and actively adopted new materials, driving significant improvements in the performance of our products for not only serious athletes, but also a wide range of runners with varying abilities.

1980 X-CALIBER Jogging Shoes

X-CALIBER used E.V.A. midsole material for the first time, making it the lightest model during the jogging boom at that time. It was launched in Japan in 1981 as the SKYSENSOR.

1983 PEDALA Walking Shoes

We harnessed our expertise in biomechanics from the development of sports shoes and pursued comfort by using Goodyear welt and Mckay process construction methods to differentiate PEDALA from competing brands.

1993 GEL-KAYANO Trainer Running Shoes

GEL-KAYANO Trainer was the first model in our flagship running shoe range and remains a key part of our lineup today. For over 20 years, GEL-KAYANO series has consistently redefined the standard for running shoes.

1977

ASICS formed through merger of three companies.

2000-

We continued to improve the quality of our products. Now we aim to meet the diverse needs of all consumers with a variety of products and services using Intelligent Sports Technology and our brand assets.

2002 Onitsuka Tiger Brand Revived

Used on our shoes until the merger in 1977, the Onitsuka Tiger brand was revived in 2002.

>More details on page 16

2007 ASICS STORE TOKYO Opened

We opened our own retail store ASICS STORE TOKYO in Ginza, Tokyo and launched a new service to help customers choose the best running shoes for their individual running style.

2015 ASICS Tiger Brand Revived

The popular ASICS Tiger brand, used widely on our sports shoes from the 1980s to around 1990, has been reborn as a casual designer footwear brand for the global market.

>More details on pages 16

2015 MetaRun Running Shoes

Scientists of the ASICS Institute of Sport Science set out on a three year mission to make our best-ever long-distance running shoes. The result is MetaRun, equipped with five new groundbreaking technologies that adapt to individual runner requirements. We have gone further than ever before to maximize all four core long-distance running functions: weight, stability, fit and cushioning.

FINANCIAL HIGHLIGHTS

ASICS Corporation and Consolidated Subsidiaries (Millions of yen)

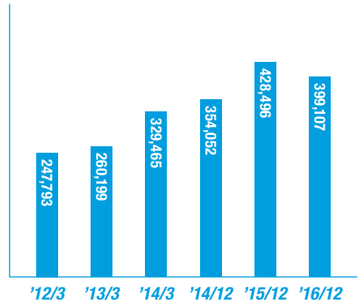
	2012/3	2013/3	2014/3	2014/12	2015/12	2016/12
For the year:						
Net sales	¥ 247,793	¥ 260,199	¥ 329,465	¥ 354,052	¥ 428,496	**¥ 399,107**
Sports shoes	182,807	192,729	251,827	282,790	346,080	**329,649**
Sportswear	46,838	49,460	57,198	54,215	61,606	**51,166**
Sports equipment	18,148	18,010	20,438	17,046	20,808	**18,291**
Cost of sales	140,244	146,361	185,097	198,864	246,342	**222,564**
Gross profit	107,549	113,838	144,368	155,188	182,154	**176,543**
Selling, general and administrative expenses	87,920	95,175	117,852	124,721	154,705	**151,070**
Operating income	19,629	18,663	26,516	30,467	27,449	**25,473**
Profit before income taxes	20,650	20,803	27,694	34,183	17,269	**22,134**
Profit attributable to owners of parent	12,618	13,773	16,108	22,286	10,238	**15,567**
Net cash provided by operating activities	10,240	14,296	6,393	10,720	18,301	**37,971**
Net cash used in investing activities	(3,563)	(8,056)	(13,735)	(9,845)	(8,707)	**(14,046)**
Net cash provided by (used in) financing activities	(3,842)	(2,956)	27,647	(4,848)	(12,765)	**(5,025)**
At year-end:						
Total net assets	¥ 115,315	¥ 138,078	¥ 159,567	¥ 201,941	¥ 199,883	**¥ 201,207**
Total assets	212,344	244,725	317,528	355,837	343,468	**342,812**
Number of employees	5,906	5,937	6,585	7,484	7,263	**7,864**
Per share of common stock (Yen):						
Net income	¥ 66.55	¥ 72.65	¥ 84.96	¥ 117.40	¥ 53.93	**¥ 82.01**
Cash dividends	12.00	12.00	17.00	23.50	23.50	**23.50**
Total net assets	569.39	685.10	834.68	1,058.94	1,045.02	**1,053.28**
Ratios (%):						
Gross profit ratio	43.4	43.8	43.8	43.8	42.5	**44.2**
Operating income ratio	7.9	7.2	8.0	8.6	6.4	**6.4**
Net income ratio	5.1	5.3	4.9	6.3	2.4	**3.9**
Return on assets (ROA)	6.1	6.0	5.7	6.6	2.9	**4.5**
Return on equity (ROE)	12.2	11.6	11.2	12.4	5.1	**7.8**
Shareholders' equity ratio	50.8	53.1	49.9	56.5	57.8	**58.3**

Notes: 1. All the figures have been rounded off to the nearest million yen.
2. The fiscal year ended December 31, 2014 was a transitional period due to a change in fiscal year-end. The period included nine months of results for the Company and domestic consolidated subsidiaries with March fiscal year-ends and 12 months of results for overseas consolidated subsidiaries, which have December fiscal year-ends.

FINANCIAL HIGHLIGHTS

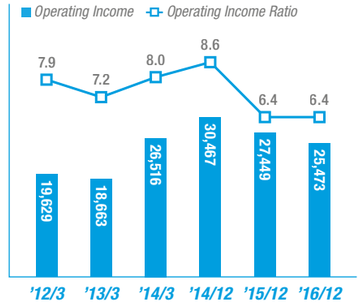
Net Sales

(Millions of yen)



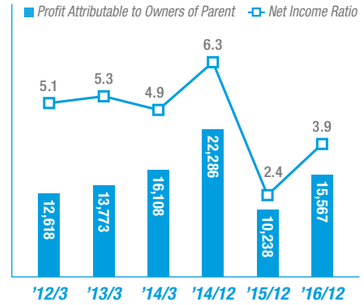
Operating Income/ Operating Income Ratio

(Millions of yen, %)



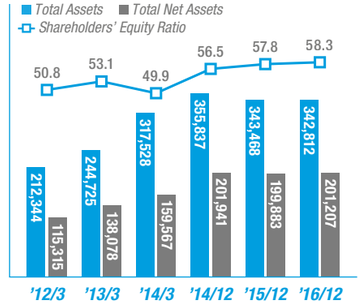
Profit Attributable to Owners of Parent/ Net Income Ratio

(Millions of yen, %)



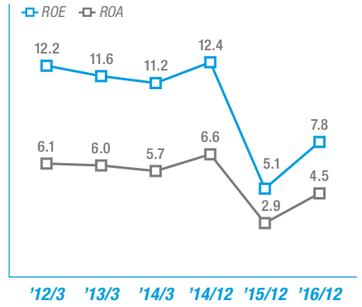
Total Assets / Total Net Assets / Shareholders' Equity Ratio

(Millions of yen, %)



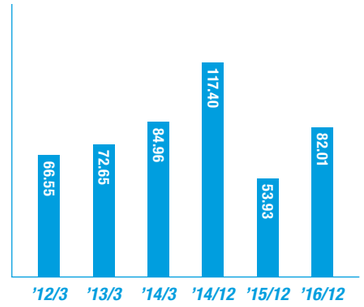
ROE/ROA

(%)



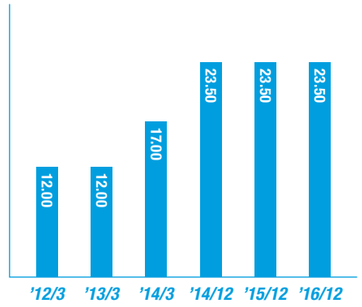
Net Income per Share

(Yen)



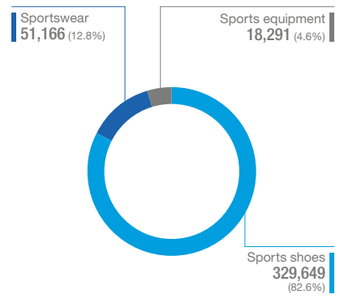
Cash Dividends per Share

(Yen)



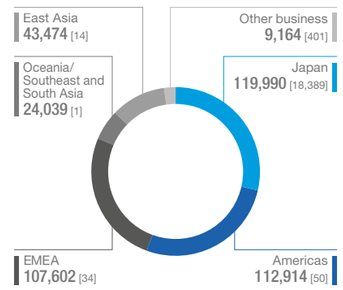
Net Sales by Product

(Millions of yen, %)



Net Sales by Reportable Segment

(Millions of yen)



Note: Net Sales by Reportable Segment figures include the intersegment sales. The intersegment amount is indicated in [ ]. A dash indicates there were no intersegment sales.

Top Message

Chairman, President and CEO, Representative Director
Motoi Oyama

A MESSAGE FROM OUR CEO

WORKING TOWARD OUR AGP2020 TARGETS AND SUSTAINABLE GROWTH

OUR STRENGTH AND VISION

We have consistently pursued a science-based approach to manufacturing since the very first days of ASICS. Our aim has been to develop products with consistently better performance, backed by our expertise in biomechanics and materials science, as well as craftsmanship. By carefully analyzing natural human movements and actions and the characteristics of each sport, we have developed products with innovative materials and structures that have won the support and trust of athletes worldwide. At the ASICS Institute of Sport Science, our core research and development facility, we are enhancing our research capabilities to develop ground-breaking products and services such as shoe fitting services that use 3D foot scanning. This long-term scientific approach is an ASICS strength rooted in our corporate culture.

One of our founding aims is to support the sound development of youth through sport. We want to use our expertise in sport and our brand assets accumulated over more than 60 years to help solve social issues today and in the future. People everywhere are interested in leading healthy lifestyles, regardless of age and nationality. Tapping into that growing awareness of health, we aim to contribute to society and be a positive influence on all areas of life, not just sport, by providing products and services that ultimately help to realize our vision – Create Quality Lifestyle through Intelligent Sport Technology.

AGP2020 – FIVE-YEAR STRATEGIC PLAN FOR SUSTAINABLE GROWTH

We launched the ASICS Growth Plan (AGP) 2020 in January 2016. Under this new Five-Year Strategic Plan, we are targeting net sales of ¥750 billion and an operating margin of 10% by the end of 2020.

Interest in health is growing worldwide. In emerging markets, more people are taking up running as a pastime. We have been growing our business in those markets by building a leading position in performance running shoes. In developed markets, sport already plays an important role in daily life. We see growth opportunities in those markets as well, as more people introduce training regimes into their lives and use sportswear as everyday clothes. We aim to expand our consumer base – one of the core strategies in AGP2020 – through consistent branding and marketing to appeal to new consumers in developed markets and to address the needs of consumers in emerging markets.

We plan to open new flagship stores in Tokyo, New York, London and other major cities that lead global fashion and sports trends. Those stores will sell a broad range of products direct to consumers. Displaying our brands and product lineup to consumers is the most powerful form of marketing, and the feedback from visitors to our stores goes into developing future products. This is another core strategy in AGP2020 – Shift to a DTC[1] mindset. Under this strategy, our goal is to drive innovation by developing new technologies more rapidly from the perspective of consumers.

Our brands, ASICS, Onitsuka Tiger and ASICS Tiger, each have unique characteristics. ASICS is positioned as a true sports performance brand and Onitsuka Tiger and ASICS Tiger are lifestyle fashion brands. To increase the value of each brand, we need to emphasize their differences by communicating a consistent brand message through all consumer touch points. To support that, we will use the latest digital technology to give consumers new sports and lifestyle experiences. Under AGP2020, we are also enhancing individual and team capabilities and targeting efficiencies by optimizing supply chains and other areas of our operations.

[1] *Direct to Consumer: The collective term for own retail and own eCommerce.*

A MESSAGE FROM OUR CEO

PROGRESS IN 2016 AND THE OUTLOOK FOR 2017

In 2016, our business in the U.S. struggled, but other regions reported firm sales results overall. On a currency neutral basis, consolidated net sales edged up 0.8% year on year. However, operating income declined 7.2% due to an increase in costs related to reinforcing headquarters functions. Nevertheless, we made good progress with building the foundations for sustainable growth. The biggest step was the acquisition of Boston-based running app company FitnessKeeper, Inc. in March. In conjunction with this acquisition, we established a Global Digital Division in Boston to lead the development of our digital technology. We plan to utilize the skills and resources of our new teams in Boston to roll out a diverse digital strategy.

In the U.S., our most important market, we overhauled the management structure at our Americas subsidiary and rebuilt our sales network, which will allow us to launch the right products in the right place at the right time.

Sales were firm in Europe, but we are overhauling the local sales network by drawing on our experiences in the U.S.

In China, interest in health is growing, which is spurring a rapid rise in the number of marathon events across the country. That suggests the running market is poised for dramatic growth. We plan to expand our business in China by reinforcing ASICS branding, centered on the new ASICS STORE SHANGHAI, HUAI HAI ROAD, which opened in July.

We also plan to start selling products directly to consumers through new local subsidiaries in countries and regions with future growth prospects.

In Japan, where profits have improved sharply due to business restructuring, interest in sport is likely to rise in the lead up to 2020, the final year of AGP2020. We have teamed up with external partners to offer consumers new value in products and other areas.

We will also accelerate our DTC strategy worldwide. After opening a new concept ASICS STORE in Brussels in December, we plan to open similar new flagship stores in New York and Tokyo in 2017.

HELPING TO CREATE HEALTHIER SOCIETIES

To deliver sustainable growth, we need to think about society and the environment in everything we do, together with all our business partners. Over the past few years, we have seen a number of developments that have fundamentally changed the way the sporting goods industry operates with respect to sustainability. In particular, social media has played a role in increasing customers' awareness of the risks around unsafe and unethical working conditions and environmental damage in complex, global supply chains. Consumers expect more transparency on the origin of products, materials used and ethical supply chains. We take this responsibility very seriously and recognize that we have an influential role to play.

HIGHLY TRANSPARENT CORPORATE GOVERNANCE

We have been building a highly transparent corporate governance structure. Four out of nine ASICS directors are outside directors. They provide advice in their respective areas of expertise and oversee management from an objective standpoint. In 2016, we established a Nomination and Compensation Committee to further improve transparency. The committee is composed of four outside directors, one outside expert, and myself. We have also narrowed down the subjects discussed by the Board of Directors, to allocate more time for matters that have a material impact on corporate value.

Top managers at local subsidiaries in the Americas and EMEA have concurrent positions as executive officers at ASICS global headquarters in Japan. This ensures optimal decision-making and strategy implementation from a global perspective. Headquarters oversees the implementation of company-wide strategies, but it has also transferred some functions to the most influential regions by product category. For example, we carry out some product planning in the running category in the U.S., the world's largest market for running shoes.

We are also promoting diversity. The Audit & Supervisory Board has had female representation since 2014 and we are actively stepping up the promotion of women to management positions and supporting career prospects for women across our organization.

A MESSAGE FROM OUR CEO

REWARDING SHAREHOLDERS

Rewarding shareholders is one of our top considerations at ASICS. In principle, we pay dividends in line with profits while taking into account the need for funds to strengthen our corporate structure and grow our business. Excluding special circumstances, we allocate roughly 20% of consolidated net income for dividends. For fiscal 2016, we paid an annual dividend of ¥23.5 per share, resulting in a consolidated dividend payout ratio of 28.7%. We have maintained the dividend at the same level for three straight terms, reflecting our firm commitment to paying stable returns to shareholders. In December 2016, we issued approximately ¥20 billion in unsecured straight bonds to fund future growth.

Rising interest in health worldwide is likely to drive growth in the sports market over the medium and long term. In that environment, we will continue to increase corporate value by implementing the strategies in AGP2020.

We appreciate and look forward to your continued understanding and support.

May 2017

Motoi Oyama
Chairman, President and CEO, Representative Director

ASICS GROWTH PLAN 2020

Under our current Five-Year Strategic Plan, ASICS Growth Plan (AGP) 2020, we are targeting net sales of ¥750 billion, an operating margin of 10% and ROE of 15%, aiming to reinforce our position as the world's third-biggest global sports brand.

ASICS has grown steadily on the back of consumer support for its technologies and products, particularly in the performance running segment.

The way consumers enjoy running has changed in recent years. More people are taking part in casual running events and there is growing interest in the fashion aspect of sports footwear and apparel. The line between sports and fashion has become increasingly blurred, especially among young and female consumers. To attract those consumers, extolling the performance of our products is no longer enough. We also need to deepen our emotional connection with them.

The spread of digital technology is also leading to more diverse consumer behavior. That means we need to create a consistent brand to communicate through all channels, including our own retail stores and websites. A long-standing issue for ASICS has been the apparel business. To overcome challenges in the business, we need a network of our own retail to market our products.

Under AGP2020, we are implementing strategies that address recent trends in our operating environment.

FINANCIAL TARGET

Net Sales

¥750 *billion or more (CAGR[1] 12%)*

Operating Margin

10% *or more*

ROE

15% *or more*

[1] *Compound Annual Growth rate from FY2015 to FY2020.*

DTC[2] Sales

¥150 *billion or more*

[2] *Collective term for own retail and own eCommerce.*

Exchange Rate to JPY

USD	EUR	RMB	KRW	AUD	SGD	SEK
120.00 YEN	135.00 YEN	18.00 YEN	0.1100 YEN	90.00 YEN	90.00 YEN	14.00 YEN

Effective period: January 1, 2016 – December 31, 2020

ASICS GROWTH PLAN 2020

CORE STRATEGY

SHIFT TO DTC MINDSET

- Change all processes from product planning to sales into a consumer-centric, DTC[1] business model, in which we can directly communicate with our consumers

>More details on page 13

EXPAND OUR CONSUMER BASE

- Develop a deeper understanding of and expand our business in new consumer segments, such as women, youth and emerging markets
- Become the brand of choice, not only in sports, but also in our consumers' daily lives

>More details on page 14

COMMUNICATE A CONSISTENT BRAND

- Narrate a consistent brand to our consumers worldwide, and deepen an emotional connection

>More details on pages 15-16

CREATE DIFFERENTIATED INNOVATION

- Create innovative products, services and processes that can provide exceptional changes in our consumers' lifestyles and experiences

>More details on page 17

ENRICH SPORT LIFE THROUGH DIGITAL

- Harness power of digital tools to help consumers get more fulfillment out of sport everyday

>More details on page 17

PURSUE OPERATIONAL EXCELLENCE

- Transform outdated business practices to data-driven decision-making processes to drive improved profitability and sustainable growth
- Reform our development and production systems, and support the development of a sustainable society and environment

>More details on page 18

DEVELOP PEOPLE AND THE TEAM

- Develop both individual and team capabilities to deliver values that exceed consumer expectations

>More details on page 18

[1] *DTC is the collective term for own retail and own eCommerce. The DTC mindset means having a consumer-centric way of thinking that creates the best touch-points and enables direct communication between consumers and our brands and products, and this information becomes the basis of our entire business process.*

CORE STRATEGY

SHIFT TO DTC MINDSET

Change all processes from product planning to sales into a consumer-centric, DTC business model, in which we can directly communicate with our consumers

BACKGROUND

Consumers now live in a world where they see and consume large amounts of information every day, giving them instant access to anything they need. But that information is often fragmented and sometimes misunderstood. That makes it difficult for us to communicate a clear message to consumers. Using indirect channels to gain insights into market trends can lead to delays, preventing us from receiving timely and accurate feedback about our products and consumer needs. Direct and interactive communication is therefore crucial to understanding what consumers want.

We are accelerating the development of our own retail and eCommerce channels. Those channels give us direct access to data that is then rapidly used to improve our products and services, from product development right through to sales.

Strengthening our own retail and eCommerce channels is a key element of that strategy. Sustained efforts to increase sales from those sources are paying off, with the share of sales from DTC[1] channels reaching 19.5% of consolidated sales in 2016.

PROGRESS IN 2016

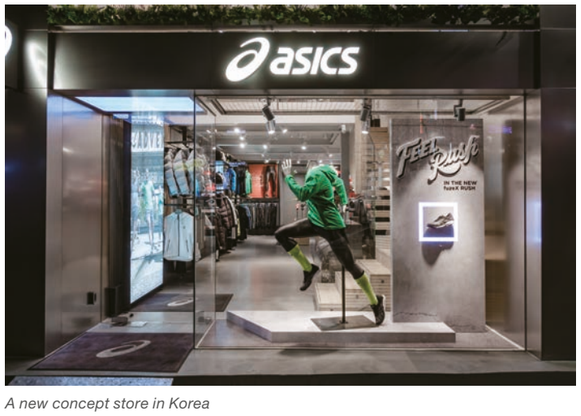
We launched a new global retail concept in Brussels in December. The new concept is centered on the ASICS 'Sound Mind, Sound Body' philosophy and offers consumers a fully integrated sports experience - bringing the brand's consumer-centric approach to life through an innovative and heightened shopping experience.

The brand store in Brussels offers our latest sports performance collections, as well as running services, a digital consumer journey linked to the Runkeeper app, and a community fitness space.

Following the global premiere in Belgium, the new retail concept will roll out in other regions and point of sale areas globally.

As part of our omnichannel approach, we opened another new retail concept at ASICS STATION STORE SHINAGAWA in Shinagawa Station, Tokyo. The store's visual merchandising is updated on a monthly basis and the very latest ASICS' products in each category are displayed in store, along with narratives about their development, helping to communicate the ASICS world view. Visitors to the store can use their smartphones to scan and order products, which are then automatically delivered to their homes.

[1] *Direct-to-consumer: the collective term for own retail and own eCommerce. The DTC mindset means having a consumer-centric way of thinking that creates the best contact points with consumers, enabling direct communication with them about our brands and products. This information becomes the basis for our entire business process.*



A new concept store in Korea

867

Number of own retail of the ASICS Group

CORE STRATEGY

EXPAND OUR CONSUMER BASE

Develop a deeper understanding of and expand our business in new consumer segments, such as women, youth and emerging markets

Become the brand of choice, not only in sports, but also in our consumers' daily lives

BACKGROUND

Sports shoes and apparel are now used by many people for various different reasons: athletes aiming for their best performance, middle-aged and elderly people exercising to improve their health, and women and young consumers taking part in sports events to look healthy and stylish. Sportswear is also gaining ground as a fashion statement among young and female consumers, who wear sports apparel as everyday clothes for comfort and lifestyle reasons.

Demand for sports gear is growing rapidly in emerging markets. In China, many people in wealthy urban areas wear sports shoes and apparel as everyday clothes. China is also promoting sport as a national policy, leading to growth in the number of people taking part in sporting activities and driving rapid expansion in the running market. Tapping into those opportunities, we will work to offer products that exceed customer expectations and accelerate merchandising strategies in emerging markets.

PROGRESS IN 2016

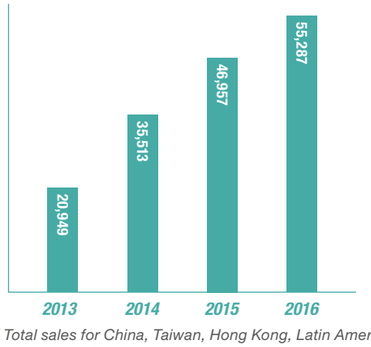
We are stepping up efforts to target a group of consumers that we call "Fitness Explorer" – people with a positive outlook on life who actively seek new experiences and are tuned in to the latest fashions. In 2016, we launched fuzeX and GEL-QUANTUM 360 CM specifically aimed at those consumers. In sportswear, we rolled out the JYUNI White Collection, a range of high-performance sports apparel rooted firmly in Japanese tradition.

Sales are growing rapidly in China, Brazil, Russia and other emerging markets. China, where the number of marathon events is rising sharply, is a particularly promising market. Using our new flagship ASICS STORE SHANGHAI, HUAI HAI ROAD, which opened in July, we plan to expand our business in China by stepping up branding activities to reinforce our position as the top brand in the running category. In other emerging markets with good prospects for growth, we have established local subsidiaries in Peru, Chile, the United Arab Emirates and Thailand, giving us the ability to conduct our own sales and marketing activities.

We are targeting a consumer group called "Fitness Explorer"

ASICS Sales in Emerging Markets[1]

(Millions of yen)



[1] *Total sales for China, Taiwan, Hong Kong, Latin America, Southeast and South Asia, Russia, and South Africa*

CORE STRATEGY

COMMUNICATE A CONSISTENT BRAND

Narrate a consistent brand to our consumers worldwide, and deepen an emotional connection

BACKGROUND

We have a portfolio of four powerful brands: ASICS, Onitsuka Tiger, ASICS Tiger and Haglöfs. Over the years, we have increased their value as pioneering brands in their respective eras and categories by harnessing innovative technology to develop a steady stream of high-performance products. We are also developing a consistent message to show how our products and services, underpinned by our wealth of technologies, can benefit all consumers in numerous ways, not just through performance. Our goal is to deepen the emotional connection with customers so that our brands have an indispensable place in their everyday lives.

PROGRESS IN 2016

We established a branding base, centered on our own retail stores, to communicate the ASICS world view via the ASICS, Onitsuka Tiger and ASICS Tiger brands.

Our corporate brand

PROGRESS IN 2016

In the ASICS brand, we rolled out a unified, global advertising campaign under the "WANT IT MORE" tagline, using TV commercials, print media, outdoor advertising, retail displays, global running events and other channels to communicate our message. We also launched new retail concepts using our own retail stores (see page 13 for more details). New flagship products included the high-performance DynaFlyte running shoes and GEL-SOLUTION SPEED 3 tennis shoes. We also sponsored marathon events in Tokyo and around the world and hosted ASICS BEAT THE SUN 2016, a trail running event that was held on a course around Mont Blanc, the highest mountain in Europe. In addition, as a JOC and JPC Gold Partner in the category of sporting goods (sports apparel and sports equipment), ASICS supported Japan at the Olympic and Paralympic Games in Rio 2016. We also supported the Netherlands and Uruguay Olympic and Paralympic teams of representative athletes, providing sporting goods to a total of 23 teams across all sports. In the tennis category, we sponsored the Rio Open and the China Open. We also entered into a five-year official supporter agreement with the Fédération Internationale de Volleyball (FIVB).

Global advertising campaign "WANT IT MORE"

CORE STRATEGY

The ASICS Tiger brand, which was used on our footwear from the 1980s until around 1990, was revived as a sports lifestyle brand with designs supported by technology in January 2015, targeting the global sports lifestyle market.

PROGRESS IN 2016

In the ASICS Tiger brand, we renewed the brand logo and colors to represent a sports lifestyle brand that constantly pursues evolution. The first dedicated store for ASICS Tiger worldwide was opened in Osaka. We also launched new products with trendy designs and developed collaborative products with famous sneaker boutiques, such as colette in France, 24 KILATES in Spain and Patta in the Netherlands.

ASICS Tiger × colette "YUKATA"

The Onitsuka Tiger brand was used to market sports shoes until the Group's three-way merger in 1977. The brand was revived in 2002 as a sports-inspired fashion brand.

PROGRESS IN 2016

In the Onitsuka Tiger brand, we ran a global campaign to celebrate 50 years of the Onitsuka Tiger stripes and opened a flagship store in Korea. We launched a number of new collections, including the collaborative Onitsuka Tiger x Andrea Pompilio Capsule Collection, which fuses our Japanese sports-inspired fashion with the Italian modish and edgy prêt a porter line, and the Nippon Made Collection of one-of-a-kind, premium shoes made by Japanese craftsmen using a labor-intensive process involving leather tanning, dying and stitching.

The Nippon Made Collection

CORE STRATEGY

CREATE DIFFERENTIATED INNOVATION

Create innovative products, services and processes that can provide exceptional changes in our consumers' lifestyles and experiences

BACKGROUND

Faced with a steady stream of new products, consumers find it increasingly hard to select products with real value from the vast array of merchandise on offer in retail markets today. To encourage more people to support ASICS, we have to differentiate our products and explain why they are special.

We are building a unique position in the market through relentless innovation that leads to exciting experiences for customers. Our workplaces and corporate culture are already geared to creating innovative products, but our goal is to accelerate innovation across all areas of our business, including services and business processes. We are also communicating the advantages of our products to promote deeper understanding to customers. We plan to draw on a wide range of internal and external resources to develop ideas that benefit customers.

PROGRESS IN 2016

In September, we launched DynaFlyte running shoes with FlyteFoam, a midsole material that provides our lightest-ever cushioning. FlyteFoam was developed as part of a project to create the world's best running shoes. Roughly 55% lighter than E.V.A., our previous midsole material, FlyteFoam contains special fibers that provide excellent cushioning and resilience. The midsole material is used in products such as our flagship running shoes GEL-KAYANO 23, helping to deliver significant improvements in cushioning and weight across our running shoes range. We believe that pursuing sustainability in product design leads to greater innovation and better performance for our customers. We estimate that CO_2 emissions have been reduced by at least 10% compared with E.V.A due to improvements in material efficiency.

In service innovations, we opened ASICS STATION STORE SHINAGAWA in Tokyo as a new initiative in our omnichannel strategy. The store combines the best aspects of physical retail stores with the advantages of eCommerce (see page 13 for more details).

ENRICH SPORT LIFE THROUGH DIGITAL

Harness power of digital to help consumers get more fulfillment out of sport everyday

BACKGROUND

Advances in digital technology continue to drive far-reaching changes in our everyday lives and across society as a whole. Using social media and digital tools, consumers can now communicate interactively and more widely with other consumers and companies. Digital applications and wearable devices are also creating new value in sport. We are utilizing advanced digital technology to develop sport-related content and cutting-edge services that create fun and healthy experiences and enhance the sports lifestyles of consumers.

PROGRESS IN 2016

We acquired FitnessKeeper, Inc. of the U.S. in March 2016. The company operates the fitness tracking application Runkeeper, which can track and record fitness activities such as running, walking and cycling using GPS on smartphones. We aim to fully utilize the resources of FitnessKeeper, combining them with our own strengths to provide high-value-added products, services and content to even more customers worldwide. Also in 2016, we established the Global Digital Division in Boston, U.S. The division has been tasked with enhancing the sports lifestyles of consumers through digital technology.

CORE STRATEGY

PURSUE OPERATIONAL EXCELLENCE

Transform outdated business practices to data-driven decision-making processes to drive improved profitability and sustainable growth

Reform our development and production systems, and support the development of a sustainable society and environment

BACKGROUND

Every day we face numerous decisions about how to make our continuously expanding global business network more efficient, while also taking into account social and environmental impacts. To increase the quality of decision-making, we need access to accurate information about our business. By visualizing operational processes, we are gleaning useful data that speeds up and improves decision-making, helping us to raise profitability. We are also using that data to support the development of a sustainable society and environment.

PROGRESS IN 2016

We are currently upgrading our ERP system aiming to complete the process by 2018. In 2016, we installed a new ERP system at some EMEA subsidiaries. The new system will play a key role in business management in the future. We will continue rolling out the system across other regions, while also reinforcing other global business platforms. Product planning, human resource and cost control systems were upgraded in 2016.

In operations at regional subsidiaries, we adjusted the product mix to shrink categories with low margins, streamlined organizational structures and built optimum sales channels, leading to improvements in profitability in all regions. The impact of those initiatives can be seen in the steep rise in profits in Japan and the return to profit at our business in Brazil. However, we need to do more in the U.S. and Korea, where we continue to restructure our operations.

DEVELOP PEOPLE AND THE TEAM

Develop both individual and team capabilities to deliver values that exceed consumer expectations

BACKGROUND

ASICS' growth will be driven by enhancing the professional skills of every employee and combining their individual strengths in teams to tackle and solve problems.

We are helping our people gain those new skills, emphasizing diversity and encouraging them to take on new challenges without fear of change or failure.

PROGRESS IN 2016

We set up a selective training program called ASICS ACADEMY to give our best people the skills they need to succeed in the global business world. Participants are divided into four levels based on job grades and courses designed to give employees a broad range of business skills. After finishing the program, participants are sent overseas for training or transferred to overseas posts to continue improving their skills.

We continued to promote diversity under the slogan "One Team — Stronger through Diversity." Our goal is to ensure the diverse ASICS workforce feels fulfilled in our corporate culture and working environment so that our people perform to the best of their ability and contribute to the sustainable growth of the business and organization. We also held a panel discussion for managers called Diversity in the Eye of Management. Discussion focused on promoting diversity internally and encouraging employees to take greater control over their careers.

OUR APPROACH TO SUSTAINABILITY

Sustainability has always been fundamental to the way we do business at ASICS. We aim to include sustainability considerations in every aspect of our business. That includes the wellbeing of our customers, reducing the environmental footprint of our value chain, promoting fair and safe working conditions at our supplier partners, and supporting our employees and the community.

SUPPORTING THE UN'S SUSTAINABILITY AGENDA

We are committed to supporting the UN's Sustainable Development Goals for 2030.

In September 2015, more than 190 countries signed up to the UN's 17 Sustainable Development Goals (SDGs), which set out a vision for ending poverty, hunger, inequality and protecting the Earth's natural resources by 2030.

Achieving this vision will require a concerted effort between the private sector, governments and civil society. We fully support the UN's agenda, and we are working to make sure our sustainability activities and 2020 strategy are aligned with the SDGs.

Although ASICS' activities are relevant to all 17 of the SDGs to a certain extent, we have identified five goals where we believe we can make the biggest contribution. These are highlighted in the graphic below.

OUR APPROACH TO SUSTAINABILITY

MATERIAL ISSUES

We focus our CSR activities on the issues that are most relevant to our business. These material issues play a central role in shaping our approach to sustainability and how we report our CSR performance.

In order to identify material sustainability issues, we run a continuous materiality program in consultation with our stakeholders aligning with the international goals and standards such as the SDGs and ISO 26000. This program has two main elements: our materiality matrix, which helps us prioritize sustainability issues, and our value chain analysis, which shows us where material issues occur in our value chain.

MATERIALITY MATRIX

Our materiality matrix maps out the sustainability issues identified by internal and external stakeholders according to their level of priority. This forms the basis of our sustainability strategy, as well as the boundaries for our reporting. We regularly update the matrix to reflect our stakeholders' priorities as they change over time.

The matrix allows us to connect different materiality topics directly with relevant stakeholders. As a result, we are able to ensure that our sustainability targets, deliverables and activities cover all topics relevant to us as a business and to society as a whole.

The materiality matrix below is our latest version, updated from last year. It shows the 12 sustainability issues identified as most material following recent consultations with internal stakeholders across the entire global ASICS organization, as well as with external stakeholders.

Product safety and quality is our top priority as a responsible brand providing products to consumers. ASICS depends on a global supply chain involving various suppliers, so ethical workplace standards are another responsibility we take very seriously. Meanwhile, our consumers are taking a growing interest in material and product traceability.

OUR MATERIALITY MATRIX

OUR APPROACH TO SUSTAINABILITY

FOCUSING ON OUR MATERIAL ISSUES

Our ongoing materiality program to assess which sustainability issues matter most for ASICS and our stakeholders is instrumental in shaping our sustainability strategy.

Our 2020 Sustainability Strategy is broader in scope regarding our business activities, but also more focused on the issues that matter to ASICS most. It is also aligned with the ASICS Growth Plan 2020, which outlines our strategy to deliver our vision to 'Create a Quality Lifestyle Through Intelligent Sport Technology.'

The year under review was the first year of our 2016-2020 Strategic ASICS Growth Plan.

The plan sets out a new series of five-year sustainability targets, prioritizing six key areas:

1. **Sustainability of products and services**
2. **Management of product chemical safety and traceability**
3. **Operational eco-efficiency and management systems**
4. **Safe and ethical workplace standards and sustainable practices at Tier 1 and Tier 2 suppliers**
5. **Sound governance and disclosure, organizational efficiency and development of an engaged workforce**
6. **Contributing to healthier communities in which we operate through philanthropic activities**

Learn more

You can learn more about our 2020 sustainability targets and progress in our Sustainability Report

http://corp.asics.com/en/csr/csr_reporting

CREATING PRODUCTS AND SERVICES

2020 SUSTAINABILITY TARGETS

- Define new product sustainability criteria for Apparel & Footwear products by end 2016.
- Reduce absolute CO_2 emissions from direct operations by 5% (Scope 1 & 2, 2015 baseline).
- Recover or recycle 98% of waste in Direct Operations.
- Reduce CO_2 in footwear manufacturing and material per item produced by 10%.
- Establish a global ASICS Environmental Management System (including ISO 14001 at all key locations).

PROGRESS IN 2016

We want to make products and services that are better for people, society and the environment. For us, that means understanding and managing the impacts of what we create throughout their entire life cycle, from the sourcing of materials all the way to recycling or disposal.

CUTTING CO_2 IN OUR OPERATIONS

We committed to set targets for CO_2 emissions reduction based on the Science Based Targets (SBT) initiative.[1] In 2016, we embarked on a major refit of our ASICS-owned footwear factory in Japan. Energy-reducing measures included installing solar panels, LED lighting and a real-time electricity monitoring system. These measures have helped reduce the factory's overall CO_2 emissions by around 12%. We plan to use the factory as a test lab for green innovation, trialling energy-efficient manufacturing processes and technologies. Furthermore, we changed the electricity suppliers of our headquarters, Europe group and other locations in Japan to the supplier who offers electricity with lower carbon intensity and reduced the electricity costs.

PRODUCT INNOVATIONS

We believe that pursuing sustainability in product design leads to greater innovation and better performance for our customers.

Launched in 2016, DynaFlyte running shoes are our lightest-ever cushioning shoe. They feature a full-length FlyteFoam midsole that is 55% lighter than the industry-standard and has 8% more durability.[2] Because of the improved material efficiency of the midsole, we estimate CO_2 emissions have been reduced by at least 10%.

[1] *The Science Based Targets initiative is a global partnership between CDP, the UN Global Compact, WRI and WWF that helps companies set emissions targets based on climate science. For more, visit sciencebasedtargets.org.*

[2] *Compared with our GEL-KAYANO 21 running shoe.*

OUR APPROACH TO SUSTAINABILITY

PARTNERING WITH OUR SUPPLY CHAIN

2020 SUSTAINABILITY TARGETS

- All Tier 1 Supplier Factories to meet ASICS C-Level or above.
- All Tier 1 Strategic Partner Factories to meet ASICS B-Level or above, and self-report via Higg Index Facility Social Module.
- Tier 1 ASICS A- and B-Level Factories trained in self governance on CSR in combination with ASICS and/or third-party verification.
- 90% of Tier 1 Strategic Partner Factories improve their SAC Higg Index Facility Environment Score compared with baseline.
- All Nominated Tier 2 suppliers meet ASICS C-Level or above.
- 90% of all Nominated Tier 2 suppliers improve their SAC Higg Index Facility Environment Score compared with baseline.
- 10% Reduction of Water and Waste impact per item produced by Tier 1 footwear factories.

PROGRESS IN 2016

To manage the impact of our supply chain, we have to work closely with all stakeholders involved. From material and product manufacturers, their workers, unions and NGOs, we only work with partners who share the same commitment to upholding fair and sustainable practices that protect human rights and the environment.

EXPANDING OUR AUDIT SCOPE

In 2016, we expanded our audit scope to include Tier 2 suppliers, as well as Tier 1.

The potential impact of Tier 2 suppliers is considerable, as this is the part of the supply chain responsible for fabric dyeing and other industrial processes involving potentially harmful chemicals.

Auditing Tier 2 will also help us make sure that human rights are respected throughout our supply chain, and that they comply with legislation.

Actively managing these facilities is a major step forward in understanding our overall impacts, and helping our business partners improve standards.

INVESTING IN PEOPLE AND COMMUNITIES

2020 SUSTAINABILITY TARGETS

- Establish global ASICS HR systems and work environment.
- Ratio of Females in Senior management positions within ASICS Headquarters and ASICS Japan Corporation >10%.
- Female managers appointed in all business divisions of ASICS Headquarters and ASICS Japan Corporation.
- Alignment on all global community engagement activities by end 2016.

PROGRESS IN 2016

Through charity partnerships, volunteering and donations, we strive to make a positive difference in the communities where we live and work. Because our people are our most valuable asset, we also work hard to create a rewarding working environment that nurtures talent and values diversity.

RUNNING TOWARDS A BRIGHTER FUTURE

In Europe we formed a new partnership with The Running Charity, a UK-based organization that supports homeless and vulnerable young people. The charity uses running to help people improve their health and fitness and develop a goal-setting mentality - important tools for building a more secure, sustainable future. This new partnership runs alongside our existing long-standing relationship with Right to Play, which supports children in some of the world's poorest communities.

"It has changed the way I see the world, I now know that I can accomplish anything."

Steve Oltay, a participant for three years in The Running Charity program, who completed the London Marathon in 2016.

CORPORATE GOVERNANCE

FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

The ASICS Group aims to use corporate governance to continually raise corporate value and create a responsive and highly transparent management structure that retains the trust of all stakeholders, particularly shareholders. In line with that approach, the Group upgrades its business management systems while also enhancing corporate oversight and audit functions and internal control systems, rigorously enforcing compliance and increasing management transparency based on a firm commitment to reflecting the views of shareholders in management.

The Company has established a Basic Policy on Corporate Governance in accordance with the ASICS SPIRIT and the ASICS CSR Policy to drive continuous improvement in corporate value at a global level. The policy systemizes all the measures taken so far, such as the appointment of multiple independent Outside Directors and the establishment of a Nomination and Compensation Committee, and the Company's corporate governance structure.

The table below shows all the corporate governance initiatives implemented by the Company since 2008.

HISTORY OF MEASURES ON CORPORATE GOVERNANCE

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 onward
Five-year strategic plan		ASICS Challenge Plan Sales target: ¥300 billion			ASICS Growth Plan (AGP) 2015 Sales target: ¥400 billion					ASICS Growth Plan (AGP) 2020 Sales target: ¥750 billion	
Structure of Board of Directors (Persons)	Inside	10	8		6	8	7	7	5	4	5
	Outside				2	2	3	4	4	4	4
Improving corporate governance		Performance-linked compensation									
							Revision to compensation amounts for Directors				
							Introduction of stock compensation-type stock options				
				Introduction of Executive Officer System							
					Introduction of Outside Directors						
								Established standards regarding independent Outside Directors and independent Outside Audit & Supervisory Board Members			
										Established Basic Policy on Corporate Governance	
										Established Nomination and Compensation Committee	
										Evaluating effectiveness of the Board of Directors	

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE

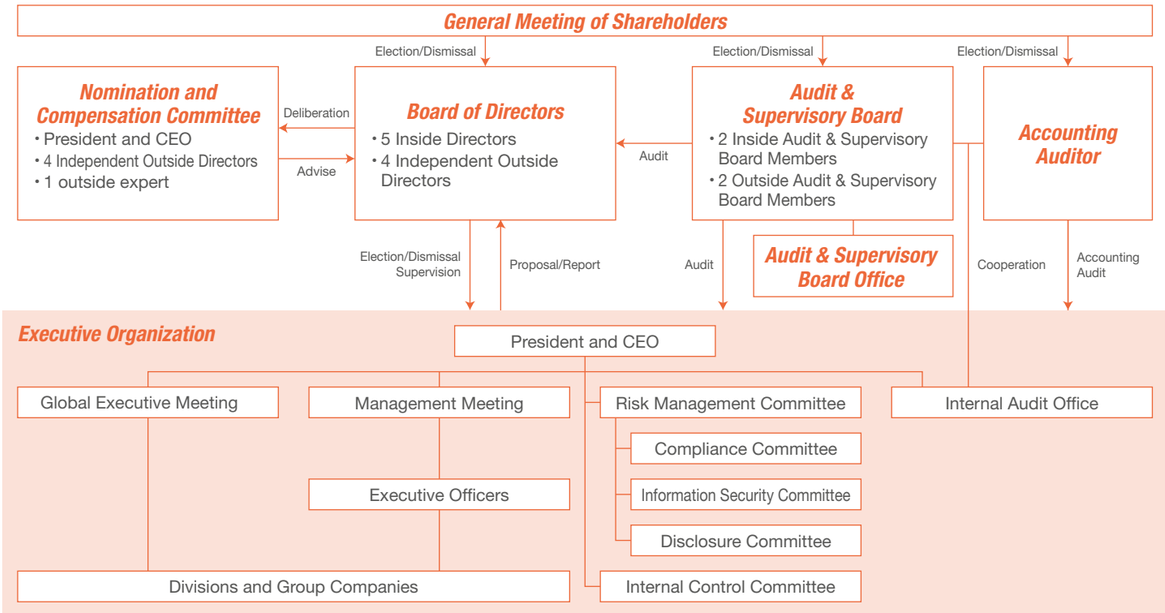
The Board of Directors makes decisions on key matters related to business execution and conducts oversight of business execution, primarily through its four independent Outside Directors, in order to realize sustainable growth and medium- to long-term improvement in corporate value, in accordance with its responsibility and accountability to shareholders.

To ensure appropriate corporate governance, the Company has established its own qualification standards and independence requirements for independent Outside Directors in "Selection Criteria for Independent Outside Directors and Independent Outside Audit & Supervisory Board Members." Candidates for outside appointments are nominated in accordance with those criteria.

The term of office for Directors is set at one year in order to clarify the management responsibility of each Director and establish a management system that can respond rapidly to changes in the business environment.

The Board of Directors shall respect the opinions of the Nomination and Compensation Committee in deciding matters regarding nomination and compensation for Directors and Executive Officers. The Nomination and Compensation Committee is composed of four independent Outside Directors to ensure fairness and transparency.

Furthermore, the Company has introduced an Executive Officer System to make management more responsive and reinforce its business execution system in order to address the growing scale of business operations and changes in the global operating environment.



CORPORATE GOVERNANCE

DIRECTOR COMPENSATION

POLICY AND PROCEDURES TO DECIDE THE AMOUNT AND CALCULATION METHOD OF DIRECTOR COMPENSATION

The Company determines fixed compensation, performance-based compensation and share remuneration-type share options in line with each director's position in accordance with regulations regarding director compensation. Total annual compensation for directors shall not exceed ¥800 million, the amount approved at the 59th Ordinary General Meeting of Shareholders on June 21, 2013.

In addition, the Board of Directors ensures fairness and transparency in deciding compensation for Directors by respecting the opinions of the Nomination and Compensation Committee, which has a majority of members who are independent Outside Directors.

Total Compensation for Directors

(As of December 31, 2016)

	Total (Millions of yen)	Total Figure per Classification (Millions of yen)			Number of People[1]
		Fixed	Performance Based	Stock Compensation-Type Stock Option	
Directors (excluding Outside Directors)	312	170	74	67	6
Outside Directors	38	38	–	–	5

[1] *The number of people receiving compensation includes two individuals who retired with effect at the close of the 62nd Ordinary General Meeting of Shareholders on March 25, 2016.*

Director with Total Compensation of ¥100 million or more

(As of December 31, 2016)

Name	Position	Total (Millions of yen)	Total Figure per Classification (Millions of yen)		
			Fixed	Performance Based	Stock Compensation-Type Stock Option
Motoi Oyama	President and CEO, Representative Director	134	64	35	34

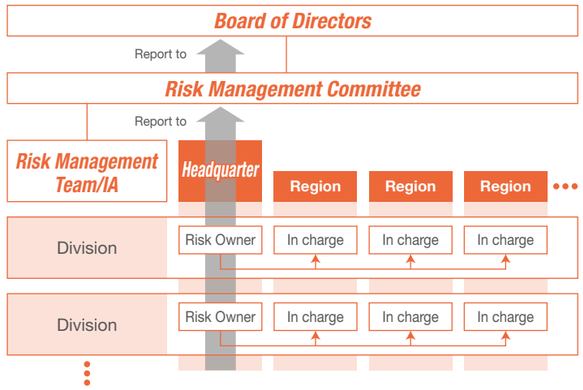
CORPORATE GOVERNANCE

RISK MANAGEMENT

We define risks as internal or external factors that could prevent the ASICS Group from achieving targets in the ASICS Growth Plan (AGP) 2020. We have systems in place to effectively mitigate those risks.

RISK MANAGEMENT GOVERNANCE MODEL

The President and CEO has ultimate responsibility for the ASICS Group's risk management system. The Risk Management Committee is tasked with conducting the Group's risk management by identifying risks and allocating business resources to mitigate those risks. The Risk Management Committee reports to the Board of Directors. Division Risk Owners are appointed, in principle, from each Division's Senior General Managers or General Managers. They are responsible for leading risk mitigation activities and reporting progress to the committee. The Risk Management Team carries out activities to maintain risk management operations and monitors the effectiveness and relevance of those activities. The Risk Management Team also works closely with the Internal Audit Department (IA).



RISK MANAGEMENT SYSTEM

The objective of the ASICS Group's risk management system is to support sustainable business growth and protect the Company from increasingly diverse risks as the scope of its operations expand. The Group's risk management system identifies, analyzes, evaluates, mitigates, monitors and reports risks. In line with our business strategy, the Risk Management Team gathers risk information from the divisions. The Risk Management Committee selects priority risks based on their potential business impact and assigns Division Risk Owners to each risk. Mitigation plans for those risks are led by the Division Risk Owners. The Risk Management Team provides advice to them and monitors progress.

MANAGEMENT POLICY

The ASICS Risk Management Policy, which includes information on our governance model and management systems, is available on our intranet.

Learn more

You can learn more about Corporate Governance on our corporate website **http://corp.asics.com/en/investor_relations/management_policy/corporate_governance**

MANAGEMENT'S DISCUSSION & ANALYSIS

PERFORMANCE ANALYSIS

In the fiscal year ended December 31, 2016, consolidated net sales decreased 6.9% to ¥399,107 million. Domestic net sales increased 0.3% to ¥101,560 million, mainly due to strong sales of running shoes, Onitsuka Tiger shoes and ASICS Tiger shoes, despite weak sales of sportswear. Overseas sales decreased 9.1% to ¥297,546 million, due to weak sales in the U.S. and the effect of the strong yen, despite strong sales of running shoes in East Asia and Oceania/Southeast, South Asia and steady sales in Europe. Sales of Onitsuka Tiger shoes were solid, especially in East Asia. Moreover, ASICS Tiger shoes also performed favorably mainly in the European region.

Gross profit decreased 3.1% to ¥176,543 million due partly to the effect of the foreign exchange rates. Selling, general and administrative expenses decreased 2.3% to ¥151,070 million mainly due to a decrease in advertising expenses and the effect of foreign exchange rates. As a result, operating income decreased 7.2% to ¥25,473 million, but ordinary income increased 3.9% to ¥23,408 million mainly due to a decrease in exchange loss. Profit attributable to owners of parent increased 52.1% to ¥15,567 million mainly due to a temporary loss caused by the structural reforms to the domestic business, which was posted in the corresponding period of the previous fiscal year.

SEGMENT INFORMATION

Business results by reportable segments were as follows:

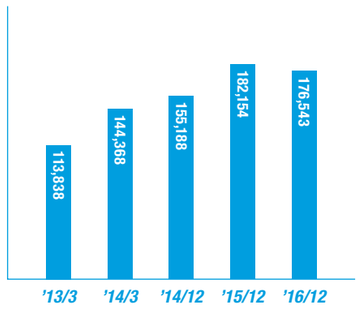
(1) Japanese region
Net sales decreased 2.3% to ¥119,990 million, due to the decrease in intermediary trade which is conducted internally, despite strong sales of running shoes, Onitsuka Tiger shoes and ASICS Tiger shoes. As part of structural reforms to the domestic business, the Group promoted minimizing and withdrawing the lower profitable products and a lean organization structure. As a result, segment income increased 174.2% to ¥6,282 million.

(2) American region
Sales decreased 17.0% (a decrease of 9.0% using the previous fiscal year's foreign exchange rate) to ¥112,914 million, due to the effect of changes in the retail market and intensifying competition in the U.S., in addition to the effect of foreign exchange rates. Segment income decreased 42.5% (a decrease of 36.3% using the previous fiscal year's foreign exchange rate) to ¥863 million, despite efforts to reduce advertising expenses and other expenses.

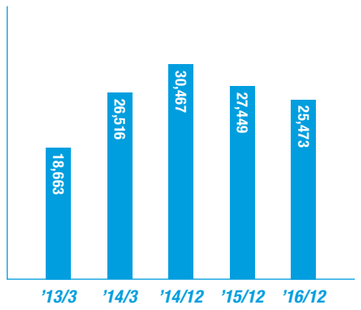
(3) European region
Sales decreased 7.3% (an increase of 2.8% using the previous fiscal year's foreign exchange rate) to ¥107,602 million, due to the effect of foreign exchange rates, despite continuing steady sales of running shoes and the strong sales of ASICS Tiger shoes. Segment income increased 3.4% (an increase of 14.6% using the previous fiscal year's foreign exchange rate) to ¥11,309 million mainly due to an improved gross profit margin.

(4) Oceania/SouthEast and South Asian regions
Sales increased 7.0% (an increase of 19.2% using the previous fiscal year's foreign exchange rate) to ¥24,039 million, due to the continuing strong sales of running shoes. Segment income increased 1.6% (an increase of 13.1% using the previous fiscal year's foreign exchange rate) to ¥3,631 million due to the effect of increased sales.

Gross Profit (Millions of yen)



Operating Income (Millions of yen)



MANAGEMENT'S DISCUSSION & ANALYSIS

(5) East Asian region
Sales increased 3.6% (an increase of 18.4% using the previous fiscal year's foreign exchange rate) to ¥43,474 million, due to the continuing strong sales of running shoes, Onitsuka Tiger shoes, and others, particularly at the subsidiary in China. Segment income increased 7.6% (an increase of 24.2% using the previous fiscal year's foreign exchange rate) to ¥4,997 million due to the effect of increased sales.

(6) Other business
Sales decreased 18.0% (a decrease of 8.3% using the previous fiscal year's foreign exchange rate) to ¥9,164 million, due to some weaker performances such as outdoor wear under the HAGLÖFS brand and the effect of foreign exchange rates, despite strong sales of outdoor shoes under the HAGLÖFS brand. Segment loss was ¥421 million.

FINANCIAL CONDITION

As for consolidated financial position as of December 31, 2016, total assets decreased 0.2% from the end of the previous fiscal year to ¥342,812 million, total liabilities decreased 1.4% from the end of the previous fiscal year to ¥141,605 million and net assets increased 0.7% from the end of the previous fiscal year to ¥201,207 million.

CASH FLOWS

As for cash flows as of December 31, 2016, cash and cash equivalents (hereinafter, "cash") increased ¥17,624 million from the end of the previous fiscal year to ¥63,639 million.

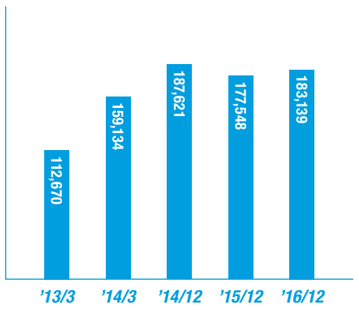
The respective cash flow positions and main factors behind the changes are as follows.

Net cash provided by operating activities was ¥37,971 million, an increase of ¥19,670 million compared with the same period of the previous fiscal year. Major sources of cash were ¥22,134 million from profit before income taxes, ¥8,354 million from depreciation and amortization, and ¥6,236 million from a decrease in inventories, while the major use of cash was ¥6,180 million for income taxes paid.

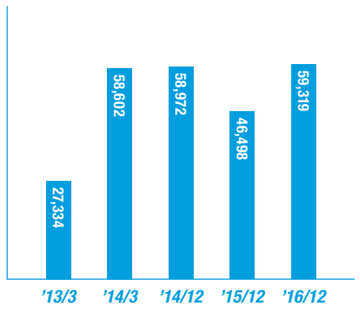
Net cash used in investing activities was ¥14,046 million, an increase of ¥5,339 million compared with the same period of the previous fiscal year. The major source of cash was ¥6,132 million from proceeds from withdrawal of time deposits, while major uses of cash were ¥9,700 million for the Company's acquisition of all shares of FitnessKeeper, Inc., ¥5,315 million for purchases of property, plant and equipment, and ¥3,855 million for purchases of intangible assets.

Net cash used in financing activities was ¥5,025 million, a decrease of ¥7,740 million compared with the same period of the previous fiscal year. The major source of cash was ¥19,909 million from the issuance of bonds, while major uses of cash were ¥11,000 million for redemption of bonds, ¥5,318 million for a net decrease in short-term bank loans, ¥4,456 million for cash dividends paid and ¥2,820 million for repayment of long-term loans.

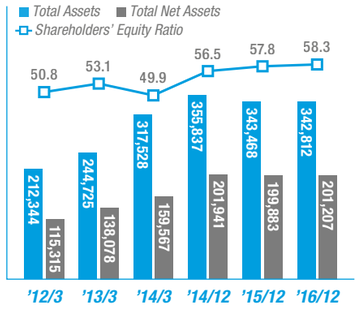
Working Capital (Millions of yen)



Long-Term Debt (Millions of yen)



Total Assets / Total Net Assets / Shareholders' Equity Ratio (Millions of yen, %)



CONSOLIDATED BALANCE SHEET

ASICS Corporation and Consolidated Subsidiaries
December 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and deposits (Notes 5 and 17)	**¥ 64,485**	¥ 52,398	**$ 555,905**
Short-term investments (Notes 5, 6 and 17)	**3,947**	4,264	**34,026**
Notes and accounts receivable (Note 17):			
Trade	**71,519**	75,372	**616,543**
Less allowance for doubtful receivables	**(3,354)**	(3,358)	**(28,914)**
Inventories (Note 7)	**88,177**	99,336	**760,147**
Deferred income taxes (Note 15)	**5,967**	6,443	**51,440**
Other current assets	**20,445**	26,401	**176,249**
Total current assets	**251,186**	260,856	**2,165,396**
Property plant and equipment:			
Land (Note 8)	**7,327**	7,349	**63,164**
Buildings and structures (Note 8)	**35,002**	34,061	**301,741**
Machinery, equipment and vehicles	**4,156**	4,380	**35,828**
Tools, furniture and fixtures (Note 8)	**24,042**	22,285	**207,259**
Leased assets (Note 8)	**8,376**	8,824	**72,207**
Construction in progress	**397**	1,756	**3,422**
Less accumulated depreciation	**(41,357)**	(39,466)	**(356,526)**
Property, plant and equipment, net (Note 23)	**37,943**	39,189	**327,095**
Intangible assets:			
Goodwill (Notes 22 and 23)	**12,384**	4,218	**106,759**
Other intangible assets (Notes 8 and 23)	**15,167**	14,858	**130,750**
Total intangible assets	**27,551**	19,076	**237,509**
Investments and other assets:			
Investments in securities:			
Investments in unconsolidated subsidiaries and aiffiliates	**174**	167	**1,500**
Other (Notes 6 and 17)	**11,391**	11,815	**98,198**
Long-term loans receivable	**70**	148	**603**
Assets for retirement benefits (Note 11)	**0**	84	**0**
Deferred income taxes (Note 15)	**3,294**	1,016	**28,397**
Other assets (Note 8)	**11,555**	11,505	**99,612**
Less allowance for doubtful receivables	**(352)**	(388)	**(3,034)**
Total investments and other assets	**26,132**	24,347	**225,276**
Total assets (Note 23)	**¥ 342,812**	¥ 343,468	**$2,955,276**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2016**	2015	**2016**
Current liabilities:			
Short-term bank loans (Notes 9 and 17)	**¥ 1,360**	¥ 7,239	**$ 11,724**
Current portion of long-term debt (Notes 9 and 17)	**7,229**	14,749	**62,319**
Notes and accounts payable (Note 17):			
Trade	**22,667**	27,868	**195,405**
Construction	**4**	3	**34**
Accrued income taxes (Note 15)	**1,404**	2,945	**12,103**
Accrued expenses	**17,576**	15,260	**151,517**
Provision for sales returns	**340**	409	**2,931**
Provision for employees' bonuses	**665**	285	**5,733**
Asset retirement obligations (Note 10)	**—**	3	**—**
Deferred income taxes (Note 15)	**2,270**	2,799	**19,569**
Other current liabilities	**14,532**	11,748	**125,277**
Total current liabilities	**68,047**	83,308	**586,612**
Long-term liabilities:			
Long-term debt (Notes 9 and 17)	**59,319**	46,498	**511,371**
Liabilities for retirement benefits (Note 11)	**4,892**	4,775	**42,172**
Asset retirement obligations (Note 10)	**1,035**	1,020	**8,922**
Deferred income taxes (Note 15)	**5,559**	4,889	**47,922**
Other long-term liabilities	**2,753**	3,095	**23,734**
Total long-term liabilities	**73,558**	60,277	**634,121**
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized shares —790,000,000 shares at December 31, 2016 and 2015			
Issued shares —199,962,991 shares at December 31, 2016 and 2015	**23,972**	23,972	**206,655**
Capital surplus	**17,415**	17,490	**150,129**
Retained earnings (Note 24)	**151,596**	140,455	**1,306,862**
Less treasury stock, at cost (10,139,476 shares at December 31, 2016 and 10,143,572 shares at December 31, 2015)	**(7,667)**	(7,667)	**(66,094)**
Total shareholders' equity	**185,316**	174,250	**1,597,552**
Accumulated other comprehensive income:			
Unrealized holding gain on securities (Note 6)	**3,874**	4,387	**33,397**
Unrealized deferred gain on hedges (Note 18)	**12,806**	14,499	**110,397**
Revaluation reserve for assets of overseas subsidiaries	**55**	92	**474**
Translation adjustments	**(2,033)**	5,229	**(17,526)**
Retirement benefits liability adjustments (Note 11)	**(82)**	(93)	**(707)**
Total accumulated other comprehensive income	**14,620**	24,114	**126,035**
Stock acquisition rights (Note 12)	**181**	95	**1,560**
Non-controlling interests	**1,090**	1,424	**9,396**
Total net assets	**201,207**	199,883	**1,734,543**
Total liabilities and net assets	**¥ 342,812**	¥ 343,468	**$2,955,276**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales (Note 23)	**¥ 399,107**	¥ 428,496	**$3,440,577**
Cost of sales	**222,564**	246,342	**1,918,655**
Gross profit	**176,543**	182,154	**1,521,922**
Selling, general and administrative expenses (Notes 12 and 13)	**151,070**	154,705	**1,302,327**
Operating income (Note 23)	**25,473**	27,449	**219,595**
Other income (expenses):			
Interest and dividend income	**636**	745	**5,483**
Interest expense	**(750)**	(971)	**(6,466)**
Exchange loss, net	**(1,753)**	(4,113)	**(15,112)**
Gain on sales of investments in securities, net (Note 6)	**9**	24	**78**
Loss on sales or disposal of property, plant and equipment and other, net	**(164)**	(135)	**(1,414)**
Loss on impairment of property, plant and equipment (Notes 8 and 23)	**(1,119)**	(153)	**(9,647)**
Business restructuring expenses (Note 14)	**—**	(5,000)	**—**
Subsidy income	**229**	3	**1,974**
Other, net	**(427)**	(580)	**(3,681)**
	(3,339)	(10,180)	**(28,785)**
Profit before income taxes	**22,134**	17,269	**190,810**
Income taxes (Note 15):			
Current	**6,723**	8,411	**57,957**
Deferred	**(410)**	(1,469)	**(3,535)**
	6,313	6,942	**54,422**
Net profit	**15,821**	10,327	**136,388**
Profit attributable to non-controlling interests	**254**	89	**2,190**
Profit attributable to owners of parent	**¥ 15,567**	¥ 10,238	**$ 134,198**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net Profit	**¥ 15,821**	¥ 10,327	**$ 136,388**
Other comprehensive loss (Note 19):			
Unrealized holding (loss) gain on securities	**(513)**	1,219	**(4,422)**
Unrealized deferred loss on hedges	**(1,693)**	(147)	**(14,594)**
Revaluation reserve for assets of overseas subsidiaries	**(37)**	(37)	**(319)**
Translation adjustments	**(7,332)**	(9,372)	**(63,208)**
Retirement benefits liability adjustments	**11**	(167)	**95**
Total other comprehensive loss, net	**(9,564)**	(8,504)	**(82,448)**
Comprehensive income	**¥ 6,257**	¥ 1,823	**$ 53,940**
Comprehensive income attributable to:			
Owners of parent	**¥ 6,073**	¥ 1,813	**$ 52,353**
Non-controlling interests	**184**	10	**1,587**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2016

		Millions of yen											
	Number of issued shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized deferred gain on hedges	Revaluation reserve for assets of overseas subsidiaries	Translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at January 1, 2015	199,962,991	¥23,972	¥17,490	¥134,641	¥(7,658)	¥3,168	¥14,646	¥129	¥14,548	¥74	¥35	¥ 896	¥201,941
Dividends	—	—	—	(4,461)	—	—	—	—	—	—	—	—	(4,461)
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	—	37	—	—	—	(37)	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	10,238	—	—	—	—	—	—	—	—	10,238
Purchases of treasury stock	—	—	—	—	(9)	—	—	—	—	—	—	—	(9)
Sales of treasury stock	—	—	0	—	0	—	—	—	—	—	—	—	0
Other changes	—	—	—	—	—	1,219	(147)	—	(9,319)	(167)	60	528	(7,826)
Balance at January 1, 2016	199,962,991	23,972	17,490	140,455	(7,667)	4,387	14,499	92	5,229	(93)	95	1,424	199,883
Dividends	—	—	—	**(4,461)**	—	—	—	—	—	—	—	—	**(4,461)**
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	—	**37**	—	—	—	**(37)**	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	**15,567**	—	—	—	—	—	—	—	—	**15,567**
Purchases of treasury stock	—	—	—	—	**(4)**	—	—	—	—	—	—	—	**(4)**
Sales of treasury stock	—	—	**6**	—	**4**	—	—	—	—	—	—	—	**10**
Change due to increase in subsidiaries	—	—	—	**(2)**	—	—	—	—	—	—	—	—	**(2)**
Changes in the Company's interest resulting from transaction with non-controlling interests	—	—	**(81)**	—	—	—	—	—	—	—	—	—	**(81)**
Other changes	—	—	—	—	—	**(513)**	**(1,693)**	—	**(7,262)**	**11**	**86**	**(334)**	**(9,705)**
Balance at December 31, 2016	199,962,991	**¥23,972**	**¥17,415**	**¥151,596**	**¥(7,667)**	**¥3,874**	**¥12,806**	**¥55**	**¥ (2,033)**	**¥(82)**	**¥181**	**¥1,090**	**¥201,207**

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized deferred gain on hedges	Revaluation reserve for assets of overseas subsidiaries	Translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at January 1, 2016	$206,655	$150,776	$1,210,819	$(66,095)	$37,819	$124,991	$793	$ 45,078	$(802)	$819	$12,276	$1,723,129
Dividends	—	—	**(38,457)**	—	—	—	—	—	—	—	—	**(38,457)**
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	**319**	—	—	—	**(319)**	—	—	—	—	—
Profit attributable to owners of parent	—	—	**134,198**	—	—	—	—	—	—	—	—	**134,198**
Purchases of treasury stock	—	—	—	**(33)**	—	—	—	—	—	—	—	**(33)**
Sales of treasury stock	—	**52**	—	**34**	—	—	—	—	—	—	—	**86**
Change due to increase in subsidiaries	—	—	**(17)**	—	—	—	—	—	—	—	—	**(17)**
Changes in the Company's interest resulting from transaction with non-controlling interests	—	**(699)**	—	—	—	—	—	—	—	—	—	**(699)**
Other changes	—	—	—	—	**(4,422)**	**(14,594)**	—	**(62,604)**	**95**	**741**	**(2,880)**	**(83,664)**
Balance at December 31, 2016	**$206,655**	**$150,129**	**$1,306,862**	**$(66,094)**	**$33,397**	**$110,397**	**$474**	**$ (17,526)**	**$(707)**	**$1,560**	**$9,396**	**$1,734,543**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Operating activities:			
Profit before income taxes	**¥ 22,134**	¥ 17,269	**$ 190,810**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**8,354**	7,819	**72,017**
Amortization of goodwill	**1,153**	651	**9,940**
Increase (decrease) in allowance for doubtful receivables	**250**	(570)	**2,155**
Increase (decrease) in liabilities for retirement benefits, net	**368**	(2,948)	**3,172**
Increase (decrease) in provision for employees' bonuses	**364**	(522)	**3,138**
Gain on sales of investments in securities, net	**(9)**	(24)	**(78)**
Interest and dividend income	**(636)**	(745)	**(5,483)**
Interest expense	**750**	971	**6,466**
Exchange loss, net	**888**	524	**7,655**
Loss on sales or disposal of property, plant and equipment and other, net	**164**	135	**1,414**
Business restructuring expenses	**—**	5,000	**—**
Other, net	**2,504**	512	**21,586**
(Increase) decrease in operating assets:			
Notes and accounts receivable-trade	**986**	2,421	**8,500**
Inventories	**6,236**	(3,327)	**53,759**
Other operating assets	**(570)**	2,470	**(4,914)**
Increase (decrease) in operating liabilities:			
Notes and accounts payable-trade	**(3,715)**	1,939	**(32,026)**
Accrued consumption taxes	**1,311**	122	**11,302**
Other operating liabilities	**3,762**	1,792	**32,432**
Subtotal	**44,294**	33,489	**381,845**
Interest and dividends received	**683**	703	**5,888**
Interest paid	**(783)**	(973)	**(6,750)**
Business restructuring expenses paid	**(43)**	(4,534)	**(371)**
Income taxes paid	**(6,180)**	(10,384)	**(53,276)**
Net cash provided by operating activities	**37,971**	18,301	**327,336**
Investing activities:			
Increase in time deposits	**(1,040)**	(9,768)	**(8,966)**
Proceeds from withdrawal of time deposits	**6,132**	8,805	**52,862**
Purchases of property, plant and equipment	**(5,315)**	(7,631)	**(45,819)**
Payments for disposal of property, plant and equipment	**(45)**	(39)	**(388)**
Proceeds from sales of property, plant and equipment	**148**	4,704	**1,276**
Purchases of intangible assets	**(3,855)**	(3,047)	**(33,233)**
Net decrease (increase) in short-term investments	**298**	(1,434)	**2,569**
Purchases of investments in securities	**(520)**	(31)	**(4,483)**
Proceeds from sales and redemption of investments in securities	**127**	316	**1,095**
Purchase of shares of subsidiaries	**—**	(3)	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(9,700)**	—	**(83,621)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	**24**	(115)	**207**
Proceeds from transfer of business	**8**	—	**69**
Net decrease in short-term loans receivable included in other current assets	**98**	37	**845**
Long-term loans receivable made	**(5)**	(4)	**(43)**
Collection of long-term loans receivable	**4**	36	**34**
Other, net	**(405)**	(533)	**(3,490)**
Net cash used in investing activities	**(14,046)**	(8,707)	**(121,086)**
Financing activities:			
Net decrease in short-term bank loans	**(5,318)**	(7,190)	**(45,845)**
Repayment of long-term loans	**(2,820)**	(748)	**(24,310)**
Proceeds from issuance of bonds	**19,909**	—	**171,629**
Redemption of bonds	**(11,000)**	—	**(94,827)**
Purchases of treasury stock	**(3)**	(9)	**(26)**
Proceeds from sales of treasury stock	**0**	0	**0**
Proceeds from share issuance to non-controlling interest	**110**	492	**948**
Repayment of lease obligations	**(738)**	(808)	**(6,362)**
Cash dividends paid to shareholders of the Company	**(4,456)**	(4,456)	**(38,414)**
Dividends paid to non-controlling interests	**(10)**	(46)	**(86)**
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	**(699)**	—	**(6,026)**
Net cash used in financing activities	**(5,025)**	(12,765)	**(43,319)**
Effect of exchange rate changes on cash and cash equivalents	**(1,276)**	(1,865)	**(11,000)**
Net increase (decrease) in cash and cash equivalents	**17,624**	(5,036)	**151,931**
Cash and cash equivalents at beginning of year	**46,015**	51,051	**396,681**
Cash and cash equivalents at end of year (Note 5)	**¥ 63,639**	¥ 46,015	**$ 548,612**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASICS Corporation and Consolidated Subsidiaries
December 31, 2016

1 Basis of Preparation

The accompanying consolidated financial statements of ASICS Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended December 31, 2015 to the presentation for the year ended December 31, 2016. Such reclassifications had no effect on consolidated net profit or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for convenience, as a matter of arithmetic computation only, at ¥116 = U.S.$1.00, the approximate rate of exchange prevailing on December 31, 2016. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2 Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. All significant intercompany transactions and accounts have been eliminated in consolidation.

Certain subsidiaries were excluded from the scope of consolidation because the effect of their sales, net profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income. Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests are translated at their historical exchange rates.

(c) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(d) Securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Cost of securities sold is determined by the moving-average method. Non-marketable equity securities classified as other securities are stated at cost determined by the moving-average method. Non-marketable debt securities classified as other securities are stated at net amortized cost.

Investments in limited liability partnerships and other similar partnerships, which are deemed to be securities under Article 2, Clause 2 of the Financial Instruments and Exchange Act of Japan, are valued at the amount of the underlying equity in their net assets based on the latest financial statements available as of the closing date stipulated in the partnership agreement.

(e) Inventories

Inventories are principally stated at the lower of cost or net realizable value, cost being determined by the moving-average method.

(f) Property, plant and equipment (except for leased assets under finance leases)

The Company and its domestic consolidated subsidiaries compute depreciation of property, plant and equipment by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998 and structures attached to the buildings and other structures acquired on or subsequent to April 1, 2016.

Overseas consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method over the estimated useful lives of the respective assets.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

The principal estimated useful lives used for calculating depreciation are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 14 years
Tools, furniture and fixtures	2 to 20 years

(g) Intangible assets (except for leased assets under finance leases)

Expenditures relating to computer software developed for internal use are charged to income as incurred, unless the software is expected to contribute to the generation of future income or to cost savings, in which case such expenditures are capitalized as intangible assets and amortized by the straight-line method over their respective estimated useful lives, a period of five years.

The Company and its consolidated subsidiaries have recorded intangible assets such as brand, customer base and trademark rights based on revaluation of assets acquired and liabilities assumed as a result of business combinations at fair value. Such intangible assets are amortized by the straight-line method over periods of 6 to 24 years.

(h) Leased assets

Finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, are depreciated using the straight-line method over the lease term with no residual value.

(i) Goodwill

Goodwill is amortized by the straight-line method over the estimated period of benefit of no more than 20 years from the year of acquisition.

(j) Allowance for doubtful receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

The overseas consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on probable specific bad debts from their customers.

(k) Provision for sales returns

Provision for sales returns is provided at an amount calculated based on the historical experience of sales returns.

(l) Provision for employees' bonuses

Provision for employees' bonuses are provided at an expected payment amount of the bonuses to employees attributable to the fiscal year.

(m) Retirement benefits for employees

Liabilities for retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized principally in the year following the year in which the gain or loss is incurred by the straight-line method over a period which falls within the estimated average remaining years of service of the eligible employees. Certain consolidated subsidiaries amortize actuarial gain or loss in the year in which the gain or loss is incurred by the straight-line method over a period which falls within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "simplified method").

(n) Research and development costs

Research and development costs are charged to income as incurred.

(o) Income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial reporting purposes and the corresponding balances for tax reporting purposes.

Certain US consolidated subsidiaries adopted the consolidated taxation system in the United States of America, which allows companies to file tax returns based on the combined profit or loss of a parent company and its subsidiaries.

(p) Derivatives and hedging activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt ("special treatment").

The hedge effectiveness of forward foreign exchange transactions is assessed by considering whether the transactions qualify based on past actual transaction and the probability of the future transaction. The hedge effectiveness of interest-rate swaps and currency options is assessed based on a comparison of the cumulative changes in cash flows of the hedged items and those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, the assessment of hedge effectiveness is omitted if a high level of hedge effectiveness is identified based on the terms of the contracts.

(q) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions. Refer to Note 24.

3 Accounting Changes

Accounting Standards for Business Combinations

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of September 13, 2013) and other standards. These revised accounting standards are applied from the fiscal year ended December 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recognized under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. For business combinations conducted on or after the beginning of the year ended December 31, 2016, the accounting method has been changed to reflect adjustments of the allocation of acquisition costs on the finalization of provisional accounting treatments in the consolidated financial statements for the year in which the business combination occurs. In addition, the presentation method of net income was amended, and "minority interests" were changed to "non-controlling interests." Certain reclassifications were made to the previous year's consolidated financial statements to reflect these changes in presentation.

In the consolidated statement of cash flows for the year ended December 31, 2016, cash flows related to the acquisition or sale of shares of subsidiaries not resulting in a change in the scope of consolidation are classified into "Financing activities", while cash flows related to expenses arising from the acquisition of shares of subsidiaries resulting in a change in the scope of consolidation or expenses arising from the acquisition or sale of shares of subsidiaries not resulting in a change in the scope of consolidation are classified into "Operating activities."

From January 1, 2016, these revised standards are applied prospectively in accordance with the transitional treatment provided in Article 58 – 2 (4) of ASBJ Statement No.21, Article 44 – 5 (4) of ASBJ Statement No.22 and Article 57 – 4 (4) of ASBJ Statement No.7.

The effect on the consolidated financial statements for the year ended and as of December 31, 2016 was immaterial.

Change in Method for Depreciation

The Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Practical Issues Task Force ("PITF") Statement No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan, and changed their method of accounting for depreciation of the structures attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect on the consolidated financial statements for the year ended and as of December 31, 2016 was immaterial.

Change in Method for Inventory Valuation

Inventories of the Company and its consolidated subsidiaries, which were previously determined mainly by the first-in, first-out method, are now determined mainly by the moving-average method, effective from the year ended December 31, 2016. As a result of reviewing the method for inventory valuation with the introduction of the global core system, this change was implemented for the purpose of conducting inventory valuation and periodic profit and loss accounting more fairly by adopting the moving-average method to offset the influence of fluctuations of purchase prices resulting from the decentralization of producing countries.

As the effect of this change on the consolidated financial statements as of December 31, 2016 and for the year then ended was immaterial, the moving-average method was applied prospectively.

Additional Information

To enhance the efficiency of fund management, financing cost reduction and Group financial governance, the Company and its consolidated subsidiaries have established the global cash management system ("Global CMS") with financial institutions since March 2016 in which funds are loaned and deposited among the Company and its subsidiaries collectively participating in the Global CMS. Along with this, loans to certain subsidiaries provided by the Company previously have now been settled. As all disclosure requirements for netting deposits and loans are met, the relevant balances of those accounts are presented as a net amount in the consolidated balance sheet as of December 31, 2016.

The respective offsetting amounted to ¥15,273 million ($131,664 thousand) as of December 31, 2016.

4 Accounting Standards Issued but Not Yet Effective

Implementation guidance on recoverability of deferred tax assets

On March 28, 2016, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).

The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No. 66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

(1) Classification is clarified for entities that do not meet the criteria for any of the five categories.

(2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.

(3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.

(4) For "Category 3" entities, the future period of estimated taxable income can be estimated beyond five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.

(5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3."

The Company and its domestic subsidiaries will adopt the guidance effective January 1, 2017. At present, the Company is in the process of evaluating the impact on the consolidated financial statements of the adoption of this implementation guidance.

5 Cash and Deposits

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at December 31, 2016 and 2015 were reconciled to the balances of cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended December 31, 2016 and 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥64,485**	¥52,398	**$555,905**
Money management funds, included in short-term investments	**131**	138	**1,129**
Time deposits with original maturities in excess of three months, included in cash and deposits	**(977)**	(6,521)	**(8,422)**
Cash and cash equivalents	**¥63,639**	¥46,015	**$548,612**

6 Short-Term Investments and Investments in Securities

Information regarding other securities with determinable market value at December 31, 2016 and 2015 is summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	**¥ 9,891**	**¥5,200**	**¥4,691**	¥10,786	¥5,202	¥5,584	**$ 85,268**	**$44,828**	**$40,440**
Corporate bonds	—	—	—	91	90	1	—	—	—
Other	**3,574**	**2,921**	**653**	3,523	2,921	602	**30,810**	**25,181**	**5,629**
Subtotal	**13,465**	**8,121**	**5,344**	14,400	8,213	6,187	**116,078**	**70,009**	**46,069**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**11**	**11**	**(0)**	0	0	(0)	**95**	**95**	**(0)**
Corporate bonds	—	—	—	—	—	—	—	—	—
Other	**1,209**	**1,209**	—	1,509	1,509	—	**10,422**	**10,422**	—
Subtotal	**1,220**	**1,220**	**(0)**	1,509	1,509	(0)	**10,517**	**10,517**	**(0)**
Total	**¥14,685**	**¥9,341**	**¥5,344**	¥15,909	¥9,722	¥6,187	**$126,595**	**$80,526**	**$46,069**

Unlisted equity securities (carrying value of ¥384 million ($3,310 thousand)), unlisted debt securities (carrying value of ¥120 million ($1,034 thousand)) and investments in limited liability partnerships (carrying value of ¥150 million ($1,293 thousand)) for which it is extremely difficult to determine the fair value are not included in the above table.

Information regarding sales of securities for the years ended December 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds from sales	**¥37**	¥297	**$319**
Gross realized gain	**9**	24	**78**

7 Inventories

The following is a summary of inventories at December 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished products	**¥87,071**	¥98,224	**$750,612**
Work in process	**353**	325	**3,043**
Raw materials and supplies	**753**	787	**6,492**
	¥88,177	¥99,336	**$760,147**

8 Loss on Impairment of Property, Plant and Equipment

The Company and its consolidated subsidiaries basically group their assets by retail store and individually group assets that are planned to be sold and idle assets. The assets are grouped by cash-generating units defined as the smallest identifiable groups of assets generating cash inflows.

The Company and its consolidated subsidiaries have written down asset groups whose operating income has been continuously negative to their respective recoverable amounts and recorded related losses on impairment of property, plant and equipment. The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value is based on estimated sales price.

Value in use is measured as the sum of anticipated future cash flows discounted at a rate of 5.6% for the year ended December 31, 2016.

The book value of leased assets is computed based on future lease payments.

The Company and its consolidated subsidiaries have written down a distribution center, which is to be transferred and whose estimated transfer price is lower than its carrying value, to its respective net selling value, and recorded related losses on impairment of property, plant and equipment.

The Company and its consolidated subsidiaries have written down other intangible assets (software), which belongs to E-commerce business and has not been scheduled for any future use, to its respective net selling value, and recorded related losses on impairment of property, plant and equipment.

The details of loss on impairment of property, plant and equipment for the years ended December 31, 2016 and 2015 are as follows:

Use	Location	Classification	Millions of yen 2016	Thousands of U.S. dollars 2016
Retail stores	16 Retail stores (Japan 8 stores, Europe 8 stores)	Tools, furniture and fixtures	**¥ 475**	**$4,095**
		Leased assets	**51**	**440**
		Other assets	**15**	**129**
Distribution center	Japan	Building and structures	**354**	**3,052**
		Land	**149**	**1,284**
E-commerce business	Sweden	Other (Software)	**75**	**647**
Total			**¥1,119**	**$9,647**

Use	Location	Classification	Millions of yen 2015
Retail stores	4 Retail stores (Japan 1 store and Europe 3 stores)	Tools, furniture and fixtures	¥ 84
		Leased assets	11
		Other assets	1
Industrial site	Japan	Land	57
Total			¥153

9 Short-Term Bank Loans and Long-Term Debt

The average annual interest rates on short-term bank loans are 1.7% and 1.2% at December 31, 2016 and 2015, respectively.

Long-term debt at December 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
1.35% yen unsecured bonds issued through private offering, due 2016	**¥ —**	¥ 5,000	**$ —**
1.32% yen unsecured bonds issued through private offering, due 2016	—	3,000	—
1.45% yen unsecured bonds issued through private offering, due 2016	—	3,000	—
0.85% yen unsecured bonds issued through private offering, due 2017	**2,000**	2,000	**17,241**
0.94% yen unsecured bonds issued through private offering, due 2017	**1,500**	1,500	**12,931**
0.91% yen unsecured bonds issued through private offering, due 2017	**1,500**	1,500	**12,931**
0.14% yen unsecured bonds issued through public offering, due 2021	**20,000**	—	**172,414**
Zero-coupon unsecured bonds with stock acquisition rights, due 2019	**30,065**	30,095	**259,181**
Unsecured loans primarily from banks, due 2018 at interest rates ranging from 0.25% to 0.59%	**5,550**	8,590	**47,845**
Lease obligations	**5,933**	6,562	**51,147**
	66,548	61,247	**573,690**
Current portion of long-term debt	**(7,229)**	(14,749)	**(62,319)**
	¥59,319	¥ 46,498	**$511,371**

Zero-coupon unsecured bonds with stock acquisition rights with a gross issuance amount of ¥30,150 million ($259,914 thousand) were convertible into shares of common stock of the Company at ¥2,724.2 ($23) per share and are exercisable from March 17, 2014 to February 15, 2019.

Information on the aggregate annual maturities of long-term debt subsequent to December 31, 2016 is presented in Note 17.

The assets pledged as collateral for a third-party's borrowings at December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investments and other assets:			
Investments in securities	**¥320**	¥ —	**$2,759**

10 Asset Retirement Obligations

(a) Outline of asset retirement obligations

The Company and its domestic consolidated subsidiaries estimated the cost of restoration liabilities based on property lease agreements of certain domestic offices and retail stores and recognized them as asset retirement obligations. The Company and its domestic consolidated subsidiaries also estimated the disposal costs determined under the "Ordinance on Prevention of Asbestos Hazards." Certain overseas consolidated subsidiaries estimated restoration costs for certain overseas offices at the time of vacating the leased property and recognized them as asset retirement obligations.

(b) Calculation method for asset retirement obligations

Asset retirement obligations for the restoration liabilities based on the property lease agreements of certain domestic offices and retail stores were calculated using an estimated useful life of 5 to 41 years from the acquisitions of leasehold improvements and discount rates from 0% to 1.397%. Asset retirement obligations for the disposal costs determined under the "Ordinance on Prevention of Asbestos Hazards" were calculated using an estimated useful life of 2 to 35 years from the acquisitions of leasehold improvements and discount rates from 0.156% to 2.301%. Asset retirement obligations for the restoration costs of certain overseas offices at the time of vacating the leased property were calculated using an estimated useful life of 2 to 20 years from the acquisitions of leasehold improvements and discount rates from 1.733% to 5.5%.

(c) Changes in the balance of asset retirement obligations during the years ended December 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the period	**¥1,023**	¥ 860	**$8,819**
Increase due to acquisition of property, plant and equipment	**50**	210	**431**
Accretion expense	**15**	16	**129**
Decrease due to settlement of asset retirement liabilities	**(48)**	(60)	**(414)**
Other decrease, net	**(5)**	(3)	**(43)**
Balance at end of the period	**¥1,035**	¥1,023	**$8,922**

11 Retirement Benefits

The Company and certain domestic consolidated subsidiaries have lump-sum payment plans, defined benefit pension plans, defined contribution pension plans or a smaller enterprise retirement allowance mutual aid plan. The Company and a consolidated subsidiary transferred a portion of their defined benefit pension plans to defined contribution pension plans during the year ended December 31, 2015, and the Company abandoned welfare pension fund plans.

Certain overseas consolidated subsidiaries adopted lump-sum payment plans, defined contribution pension plans or defined benefit pension plans.

Defined Benefit Pension Plans

The changes in the retirement benefit obligations, except for plans accounted for by the simplified method, during the years ended December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit obligations at the beginning of the year	**¥12,597**	¥15,345	**$108,595**
Service cost	**754**	836	**6,500**
Interest cost	**131**	141	**1,129**
Actuarial loss	**105**	173	**905**
Retirement benefits paid	**(632)**	(1,904)	**(5,448)**
Decrease in retirement benefit obligations for retirement benefits due to transfer to defined contribution pension plans	**(8,650)**	(1,971)	**(74,569)**
Other	**(17)**	(23)	**(146)**
Retirement benefit obligations at the end of the year	**¥ 4,288**	¥12,597	**$ 36,966**

The changes in plan assets, except for plans accounted for by the simplified method, during the years ended December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets at the beginning of the year	**¥ 8,879**	¥9,291	**$ 76,543**
Expected return on plan assets	**180**	189	**1,552**
Actuarial loss	**(2)**	(227)	**(17)**
Contributions paid by the Company and a consolidated subsidiary	**269**	290	**2,319**
Retirement benefits paid	**(436)**	(643)	**(3,759)**
Decrease in plan assets for retirement benefits due to transfer to defined contribution pension plans	**(8,603)**	—	**(74,164)**
Other	**(19)**	(21)	**(164)**
Plan assets at the end of the year	**¥ 268**	¥8,879	**$ 2,310**

The changes in liabilities for retirement benefits calculated by the simplified method during the years ended December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Liabilities for retirement benefits at the beginning of the year	**¥ 973**	¥1,643	**$ 8,388**
Retirement benefit expenses	**87**	166	**750**
Retirement benefits paid	**(47)**	(377)	**(405)**
Decrease in liability of subsidiary resulting in exclusion from consolidation	—	(338)	—
Decrease in liabilities for retirement benefits due to transfer to defined contribution pension plans	—	(67)	—
Decrease in liability for retirement benefits due to transferring business	**(121)**	—	**(1,043)**
Other	**(20)**	(54)	**(173)**
Liabilities for retirement benefits at the end of the year	**¥ 872**	¥ 973	**$ 7,517**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of December 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit pension plan:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligations	**¥4,968**	¥13,483	**$42,828**
Plan assets at fair value	**(620)**	(9,244)	**(5,345)**
	4,348	4,239	**37,483**
Unfunded retirement benefit obligations	**544**	452	**4,689**
Net liability for retirement benefits in the consolidated balance sheet	**4,892**	4,691	**42,172**
Liabilities for retirement benefits	**4,892**	4,775	**42,172**
Assets for retirement benefits	**(0)**	(84)	**(0)**
Net liability for retirement benefits in the consolidated balance sheet	**¥4,892**	¥ 4,691	**$42,172**

The components of retirement benefit expenses for the years ended December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 754**	¥ 836	**$ 6,500**
Interest cost	**131**	141	**1,129**
Expected return on plan assets	**(180)**	(189)	**(1,552)**
Amortization of net retirement benefit obligation at transition	—	54	—
Amortization of unrecognized actuarial loss	**101**	46	**871**
Net retirement benefit expenses calculated by the simplified method	**87**	166	**750**
Retirement benefit expenses	**¥ 893**	¥1,054	**$ 7,698**

In addition to the above, loss on revision of retirement benefit plan of ¥ 2 million ($17 thousand) was recorded as "Other, net" for the year ended December 31, 2016.

In addition above, additional payments of retirement benefits in the amount of ¥ 4,577 million resulting from business restructuring were recorded for the year ended December 31, 2015.

Net retirement benefit obligation at transition and actuarial loss included in other comprehensive income (before tax effects) for the years ended December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net retirement benefit obligation at transition	**¥ —**	¥ 54	**$ —**
Actuarial loss	**101**	46	**871**
	¥ 101	¥100	**$871**

Unrecognized actuarial loss included in accumulated other comprehensive income (before tax effects) as of December 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized actuarial loss	**¥92**	¥137	**$793**

The fair value of plan assets, by major category, as a percentage of total plan assets as of December 31, 2016 and 2015 are as follows:

	2016	2015
Debt securities	**—%**	57%
Equity securities	**—**	12
Cash and deposits	**43**	3
General accounts controlled by insurance companies	**57**	25
Other	**—**	3
Total	**100%**	100%

The expected return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Discount rates	**0.1% – 3.0%**	0.9% – 2.9%
Expected rates of return on plan assets	**2.9%**	1.3% – 2.0%

Defined Contribution Pension Plans

Total contributions paid by the Company and its consolidated subsidiaries to the defined contribution pension plans for the years ended December 31, 2016 and 2015 amounted to ¥824 million ($7,103 thousand) and ¥830 million, respectively.

12 Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings is nil at December 31, 2016 and 2015.

Movements in common stock and treasury stock for the years ended December 31, 2016 and 2015 are summarized as follows:

	Number of Shares			
	2016			
	January 1, 2016	Increase	Decrease	December 31, 2016
Shares issued:				
Common Stock	**199,962,991**	**—**	**—**	**199,962,991**
Treasury stock:				
Treasury Stock	**10,143,572**	**1,641**	**5,737**	**10,139,476**

The increase in treasury stock of 1,641 shares is due to purchases of shares of less than one voting unit and the decrease in treasury stock of 5,737 shares is due to sales of 37 shares at the requests of shareholders who own less than one voting unit and of 5,700 shares corresponding to exercising stock options for the year ended December 31, 2016.

	Number of Shares			
	2015			
	January 1, 2015	Increase	Decrease	December 31, 2015
Shares issued:				
Common Stock	199,962,991	—	—	199,962,991
Treasury stock:				
Treasury Stock	10,140,795	2,807	30	10,143,572

The increase in treasury stock of 2,807 shares is due to purchases of shares of less than one voting unit and the decrease in treasury stock of 30 shares is due to sales of shares at the requests of shareholders who own less than one voting unit for the year ended December 31, 2015.

Stock option plans

Stock option costs included in selling, general and administrative expenses for the years ended December 31, 2016 and 2015 amounted to ¥96 million ($828 thousand) and ¥60 million, respectively.

A description of the stock option plan (the "2016 plan") is as follows:

Stock option plans		2016 plan
Date of approval at a meeting of the Board of Directors		April 22, 2016
Individuals covered by the plan	Directors other than outside directors	4
	Employees of the Company	7
	Directors of the Company's subsidiaries	2
	Employees of the Company's subsidiaries	3

Type and number of shares to be issued upon the exercise of the stock options	2016 plan
Common stock	85,900
Grant date	May 17, 2016
Service period	Not defined
Exercise period	From May 18, 2019 to May 17, 2046

A description of the stock option plan (the "2015 plan") is as follows:

Stock option plans		2015 plan
Date of approval at a meeting of the Board of Directors		April 7, 2015
Individuals covered by the plan	Directors other than outside directors	5
	Employees of the Company	6
	Directors of the Company's subsidiaries	3
	Employees of the Company's subsidiaries	2

Type and number of shares to be issued upon the exercise of the stock options	2015 plan
Common stock	23,700
Grant date	May 12, 2015
Service period	Not defined
Exercise period	From May 13, 2018 to May 12, 2045

A description of the stock option plan (the "2014 plan") is as follows:

Stock option plans		2014 plan
Date of approval at a meeting of the Board of Directors		July 18, 2014
Individuals covered by the plan	Directors other than outside directors	7
	Executive officers who are residents of Japan under the Income Tax Law of Japan	6

Type and number of shares to be issued upon the exercise of the stock options	2014 plan
Common stock	26,500
Grant date	August 8, 2014
Service period	Not defined
Exercise period	From August 9, 2017 to August 8, 2044

A description of the stock option plan (the "2013 plan") is as follows:

Stock option plans		2013 plan
Date of approval at a meeting of the Board of Directors		July 19, 2013
Individuals covered by the plan	Directors other than outside directors	7
	Executive officers who are residents of Japan under the Income Tax Law of Japan	5

Type and number of shares to be issued upon the exercise of the stock options	2013 plan
Common stock	37,200
Grant date	August 6, 2013
Service period	Not defined
Exercise period	From August 7, 2016 to August 6, 2043

Vesting conditions for the exercise of stock acquisition rights are as follows:

For the "2016 plan" and "2015 plan"

If the individuals to whom the stock acquisition rights are granted (the "Holders") forfeit stock acquisition rights, the stock options cannot be exercised.

For the "2014 plan" and "2013 plan"

1) When the Holders cease to be a director or/and executive officer, the Holders can exercise the rights within five years following the date on which the Holders leave their positions with valid reasons as approved by the Company, such as the fulfillment of the service period.
2) If the Holders forfeit stock acquisition rights, the stock options cannot be exercised.
3) Other conditions are included in the contract entered into between the Company and the Holders.

The following table summarizes stock option activity under the stock option plans referred to above during the year ended December 31, 2016:

	2016 plan	2015 plan	2014 plan	2013 plan
Number of stock options				
Unvested:				
Outstanding at the end of prior fiscal period	—	23,700	25,100	34,700
Granted	85,900	—	—	—
Forfeited	—	1,700	—	—
Vested	—	—	—	34,700
Outstanding at the end of the fiscal period	85,900	22,000	25,100	—
Vested:				
Outstanding at the end of prior fiscal period	—	—	—	—
Vested	—	—	—	34,700
Exercised	—	—	—	5,700
Forfeited	—	—	—	—
Outstanding at the end of prior fiscal period	—	—	—	29,000
	Yen			
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average exercise price	¥ —	¥ —	¥ —	¥ 2,273
Weighted average fair value per stock at the grant date	¥ 2,178	¥ 3,008	¥ 2,135	¥ 1,707
	U.S. dollars			
Exercise price	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Weighted average exercise price	$ —	$ —	$ —	$ 20
Weighted average fair value per stock at the grant date	$ 19	$ 26	$ 18	$ 15

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used for the 2016 stock option plan are as follows:

Major assumptions	Note	2016 plan
Estimated volatility	(a)	41.878%
Estimated remaining period	(b)	8.7 years
Estimated dividend	(c)	¥23.5 ($0.20) per share
Risk-free rate	(d)	(0.175)%

(a) Estimated volatility was computed by the closing stock prices of common stock in each trading day from August 17, 2007 to May 17, 2016.
(b) Because adequate data was unavailable and it is difficult to reasonably estimate the exercise date, the remaining period was estimated as if stock options were exercised in the middle of the exercisable period.
(c) The estimated dividend was calculated based on the dividend amount applicable to the year ended December 31, 2015.
(d) The risk-free rate was determined based on the rate of Japanese government bonds, for which redemption dates corresponded to the estimated remaining period.

Because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the estimation reflects only the actual number of forfeited stock options.

13 Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended December 31, 2016 and 2015 amounted to ¥3,677 million ($31,698 thousand) and ¥3,195 million, respectively.

14 Business Restructuring Expenses

Business restructuring expenses mainly represent additional payments of retirements benefit related to the Company's early retirement program.

15 Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rates in Japan for the years ended December 31, 2016 and 2015 are, in the aggregate, approximately 33.0% and 35.6%, respectively. The effective tax rates reflected in the accompanying consolidated statements of income for the years ended December 31, 2016 and 2015 differed from the above statutory tax rates for the following reasons:

	2016	2015
Statutory tax rates:	**33.0%**	35.6%
Permanently non-deductible expenses	**0.4**	0.4
Permanently non-taxable income	**(0.1)**	(0.2)
Change in valuation allowance	**(3.9)**	9.4
Tax rate differences at overseas consolidated subsidiaries	**(5.7)**	(11.8)
Decrease in deferred tax assets resulting from change in statutory tax rate	**0.2**	1.1
Difference in the tax system of an overseas consolidated subsidiary	—	4.7
Other	**4.6**	1.0
Effective tax rates	**28.5%**	40.2%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The significant components of the deferred tax assets and liabilities of the Company and consolidated subsidiaries at December 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Inventories	**¥ 2,891**	¥ 3,495	**$ 24,922**
Allowance for doubtful receivables	**1,511**	1,397	**13,026**
Provision for employees' bonuses	**574**	243	**4,948**
Liability for retirement benefits	**1,781**	1,869	**15,353**
Tax loss carry forwards	**4,496**	2,949	**38,759**
Other	**2,182**	3,458	**18,811**
Gross deferred tax assets	**13,435**	13,411	**115,819**
Less valuation allowance	**(3,053)**	(3,261)	**(26,319)**
Total deferred tax assets	**10,382**	10,150	**89,500**
Deferred tax liabilities:			
Unrealized holding gain on securities	**1,234**	1,560	**10,638**
Valuation difference of consolidated subsidiaries	**1,799**	1,909	**15,509**
Unrealized deferred gain on hedges	**4,218**	5,246	**36,361**
Other	**1,699**	1,664	**14,646**
Total deferred tax liabilities	**8,950**	10,379	**77,154**
Net deferred tax assets (liabilities)	**¥ 1,432**	¥ (229)	**$ 12,346**

The "Act for Partial Amendment of the Income Tax Act and Others." (Act No.15, 2016) and "Act for Partial Amendment of the Local Tax Act and Others." (Act No.13, 2016) were enacted in the Japanese Diet session on March 29, 2016.

In line with these revisions, the Company changed the statutory tax rate used to calculate deferred tax assets and liabilities from 33.0% (32.2% for the temporary differences expected to be realized or settled from January 1, 2017) to 30.8% and to 30.6% for the temporary differences expected to be realized or settled in the years beginning January 1, 2017 and 2018, and for the temporary differences expected to be realized or settled from January 1, 2019, respectively.

As a result of this change in tax rates, deferred income tax liabilities (after offsetting deferred income tax assets) decreased by ¥35 million ($302 thousand), and income taxes – deferred, unrealized holding gain on securities and unrealized deferred gain on hedges increased by ¥36 million ($310 thousand), ¥56 million ($483 thousand) and ¥15 million ($129 thousand) respectively, as of December 31, 2016 and for the year then ended.

16 Leases

The Company and its consolidated subsidiaries have entered into finance lease contracts which do not transfer the ownership of the leased assets to them. Main components of such finance leases are a distribution center classified as land and buildings and computer software classified as intangible assets.

The Company and its consolidated subsidiaries also have entered into non-cancellable operating lease contracts. Future minimum lease payments subsequent to December 31, 2016 under non-cancellable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending December 31,		
2017	¥ 6,398	$ 55,155
2018 and thereafter	28,828	248,517
	¥35,226	$303,672

17 Financial Instruments

(a) Status of financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively the "Group") raise funds mainly by bank borrowings and bonds issuance. The Group manages temporary fund surpluses principally through liquid financial assets. Furthermore, the Group raises short-term working capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes.

Trade receivables, notes and accounts receivables, are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies, and forward foreign currency exchange contracts and others are arranged to reduce the risk.

Marketable securities and investments in securities are exposed to market risk. Those securities are mainly composed of equity securities of companies with which the Group has business relationships.

Substantially all trade payables, trade notes and accounts payable, have payment due dates within four months. Although a portion of payables are exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign currency exchange contracts and others are arranged to reduce the risk.

Loans, bonds and bonds with stock acquisition rights are taken out principally for the purpose of conducting business activities and making capital investments. The repayment dates of the long-term debt extend up to five years from the balance sheet date. Although a portion of the debt is exposed to interest rate fluctuation risk, the Group undertakes interest rate swap transactions as hedging instruments.

Regarding derivatives, the Group enters into forward foreign currency exchange contracts and others to reduce the foreign currency exchange risk mainly on the payables denominated in foreign currencies resulting from importing products within the actual demand for foreign currency exchange. The Group also enters into interest rate swap transactions to reduce future fluctuation risk deriving from interest rates of long-term loans and bonds. Refer to "(p) Derivatives and hedging activities" in Note 2 "Summary of Significant Accounting Policies" for hedge accounting policy.

Regarding trade receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify at an early stage and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with internal policies, "Policies of Administrative Authority," the Group only acquires debt securities held for investment purposes with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is immaterial.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with international financial institutions with sound credit profiles.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, "Policies on Derivative Transactions," "Policies of Global Financial Governance" and "Policies of Administrative Authority" which set forth delegation of authority and segregation of duties related to derivative transactions. The Accounting and Financing Department conducts and manages derivative transactions and segregates duties of execution and management of transactions to separate personnel and management who are each responsible for transactions, positions and operations. Transaction data and other information are regularly reported to the executive board meeting by the responsible executive officer.

For short-term investments and investments in securities, the Group periodically reviews the fair value of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether or not security investments should be maintained, taking into account their fair value and relationships with the issuers.

Certain consolidated subsidiaries that enter into derivative transactions or buy/sell marketable securities and investments in securities also follow internal policies and base transactions are overseen and reviewed by management departments of these subsidiaries.

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis and maintains solvency to manage liquidity risk.

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional principal amounts of derivative transactions in Note 18 "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk.

(b) Estimated Fair Value of Financial Instruments

Carrying value, estimated fair value and the difference between them for financial instruments on the consolidated balance sheets as of December 31, 2016 and 2015 are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2016					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 64,485	¥ 64,485	¥ —	$ 555,905	$ 555,905	$ —
Notes and accounts receivable-trade	71,519	—	—	616,543	—	—
Less allowance for doubtful receivables (*1)	(3,354)	—	—	(28,914)	—	—
	68,165	68,165	—	587,629	587,629	—
Short-term investments and investments in securities:						
Other investment securities	14,685	14,685	—	126,595	126,595	—
Total assets	¥147,335	¥147,335	¥ —	$1,270,129	$1,270,129	$ —
Liabilities:						
Notes and accounts payable-trade	¥ 22,667	¥ 22,667	¥ —	$ 195,405	$ 195,405	$ —
Short-term bank loans and current portion of long-term loans	2,910	2,910	—	25,086	25,086	—
Current portion of long-term bonds	5,000	5,000	—	43,103	43,103	—
Bonds included in long-term debt	20,000	19,990	(10)	172,414	172,328	(86)
Bonds with stock acquisition rights	30,065	33,348	3,283	259,181	287,483	28,302
Long-term loans	4,000	4,009	9	34,483	34,561	78
Total liabilities	¥ 84,642	¥ 87,924	¥3,282	$ 729,672	$ 757,966	$28,294
Derivative transactions (*2)	¥ 16,363	¥ 16,363	¥ —	$ 141,060	$ 141,060	$ –

	Millions of yen		
	2015		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	¥ 52,398	¥ 52,398	¥ —
Notes and accounts receivable-trade	75,372	—	—
Less allowance for doubtful receivables (*1)	(3,358)	—	—
	72,014	72,014	—
Short-term investments and investments in securities:			
Other investment securities	15,909	15,909	—
Total assets	¥140,321	¥140,321	¥ —
Liabilities:			
Notes and accounts payable-trade	¥ 27,868	¥ 27,868	¥ —
Short-term bank loans and current portion of long-term loans	10,280	10,280	—
Current portion of long-term bonds	11,000	11,000	—
Bonds included in long-term debt	5,000	5,041	41
Bonds with stock acquisition rights	30,095	34,866	4,771
Long-term loans	5,550	5,560	10
Total liabilities	¥ 89,793	¥ 94,615	¥4,822
Derivative transactions (*2)	¥ 19,852	¥ 19,852	¥ —

Notes:

(*1) The amount of less allowance for doubtful receivables in the above table is related to notes and accounts receivable-trade.

(*2) The value of assets and liabilities arising from derivatives is a net value, and the amount in parentheses represents a liability position.

Since cash and deposits, and notes and accounts receivable-trade are settled in a short period of time, their carrying value approximates the fair value.

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities.

Since notes and accounts payable-trade, short-term bank loans and current portion of long-term loans and bonds are settled in a short period of time, their carrying value approximates the fair value.

The fair value of bonds included in long-term debt is based on the present value of the total of principal and interest discounted by the interest rate determined taking into account the remaining period for each bond and the current credit risk.

The fair value of bonds with stock acquisition rights is based on the prices provided by the financial institutions.

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Regarding derivatives, refer to Note 18.

Carrying value of financial instruments for which it is extremely difficult to determine the fair value at December 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities	¥384	¥170	$3,310
Unlisted debt securities	120	—	1,034
Investments in limited liability partnerships	150	—	1,293

(c) Redemption schedule for monetary claims and investments by maturity date

The redemption schedule for monetary claims and debt securities by maturity date at December 31, 2016 is as follows:

	Millions of yen				Thousands of U.S. dollars			
	2016							
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 64,485	¥ —	¥ —	¥ —	$555,905	$ —	$ —	$ —
Notes and accounts receivable-trade	71,519	—	—	—	616,543	—	—	—
Debt securities:Corporate bonds	—	—	—	120	—	—	—	1,034
	¥136,004	¥ —	¥ —	¥120	$1,172,448	$ —	$ —	$1,034

(d) Payment schedule for short-term bank loans and long-term debt

The payment schedule for short-term bank loans and long-term debt by payment due date at December 31, 2016 is as follows:

	Millions of yen					
	2016					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥ 1,360	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	5,000	—	—	—	20,000	—
Bonds with stock acquisition rights	—	—	30,000	—	—	—
Long-term loans	1,550	4,000	—	—	—	—
Lease obligations	679	685	481	405	343	3,340
Total	¥ 8,589	¥ 4,685	¥ 30,481	¥ 405	¥ 20,343	¥ 3,340

	Thousands of U.S. dollars					
	2016					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	$ 11,724	$ —	$ —	$ —	$ —	$ —
Bonds	43,103	—	—	—	172,414	—
Bonds with stock acquisition rights	—	—	258,620	—	—	—
Long-term loans	13,362	34,483	—	—	—	—
Lease obligations	5,854	5,905	4,147	3,491	2,957	28,793
Total	$ 74,043	$ 40,388	$262,767	$ 3,491	$175,371	$ 28,793

18 Derivatives and Hedging Activities

The outstanding currency-related derivatives positions not designated as hedging instruments at December 31, 2016 and 2015 are as follows:

		Millions of yen			
		2016			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized loss
Over-the-counter transactions	Non-deliverable forwards:				
	Selling				
	BRL	¥9,905	¥ —	¥(200)	¥(200)
	Total	¥9,905	¥ —	¥(200)	¥(200)

		Thousands of U.S. dollars			
		2016			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized loss
Over-the-counter transactions	Non-deliverable forwards:				
	Selling				
	BRL	**$85,388**	**$ —**	**$(1,724)**	**$(1,724)**
	Total	**$85,388**	**$ —**	**$(1,724)**	**$(1,724)**

		Millions of yen			
		2015			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized gain
Over-the-counter transactions	Forward foreign exchange contracts:				
	Selling				
	USD	¥12,081	¥ —	¥ 69	¥ 69
	Buying				
	USD	177	—	1	1
	Non-deliverable forwards:				
	Selling				
	BRL	12,054	—	262	262
	Total	¥24,312	¥ —	¥332	¥332

Fair value is based on the prices obtained from counterparty financial institutions.

There are no outstanding interest-related derivative positions not designated as hedging instruments at December 31, 2016 and 2015.

The outstanding currency-related derivatives positions designated as hedging instruments at December 31, 2016 and 2015 are as follows:

			Millions of yen			Thousands of U.S. dollars		
			2016					
Classification	Transaction	Hedged item	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Selling							
	USD	Accounts receivable-trade (Forecasted transaction)	**¥ 48**	**¥ —**	**¥ (4)**	**$ 414**	**$ —**	**$ (34)**
	EUR	Accounts receivable-trade (Forecasted transaction)	**1,148**	**—**	**(13)**	**9,897**	**—**	**(112)**
	GBP	Accounts receivable-trade (Forecasted transaction)	**14,412**	**6,808**	**1,310**	**124,241**	**58,690**	**11,293**
	NOK	Accounts receivable-trade (Forecasted transaction)	**543**	**—**	**(17)**	**4,681**	**—**	**(147)**
	DKK	Accounts receivable-trade (Forecasted transaction)	**482**	**—**	**(7)**	**4,155**	**—**	**(60)**
	Buying							
	USD	Accounts payable-trade (Forecasted transaction)	**197,765**	**90,396**	**15,294**	**1,704,871**	**779,276**	**131,844**
	Subtotal		**214,398**	**97,204**	**16,563**	**1,848,259**	**837,966**	**142,784**
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:							
	Selling							
	USD	Accounts receivable-trade	**123**	**—**	**—**	**1,060**	**—**	**—**
	Buying							
	USD	Accounts payable-trade	**1,719**	**—**	**—**	**14,819**	**—**	**—**
	Total		**¥216,240**	**¥ 97,204**	**¥ 16,563**	**$1,864,138**	**$837,966**	**$142,784**

			Millions of yen		
			2015		
Classification	Transaction	Hedged item	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling				
	USD	Accounts receivable-trade (Forecasted transaction)	¥ 181	¥ —	¥4
	EUR	Accounts receivable-trade (Forecasted transaction)	1,872	—	22
	GBP	Accounts receivable-trade (Forecasted transaction)	16,080	8,730	(702)
	JPY	Accounts receivable-trade (Forecasted transaction)	92	—	1
	NOK	Accounts receivable-trade (Forecasted transaction)	419	—	28
	DKK	Accounts receivable-trade (Forecasted transaction)	289	—	5
	Buying				
	USD	Accounts payable-trade (Forecasted transaction)	191,800	103,279	20,162
	Subtotal		210,733	112,009	19,520
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Selling				
	USD	Accounts receivable-trade	185	—	—
	Buying				
	USD	Accounts payable-trade	1,210	—	—
	Total		¥212,128	¥112,009	¥ 19,520

The fair value of forward foreign exchange contracts that qualify for the allocation method is included in accounts receivable-trade and accounts payable-trade. Fair value is based on the prices obtained from counterparty financial institutions.

The outstanding interest-related derivatives positions designated as hedging instruments at December 31, 2016 and 2015 are as follows:

			Millions of yen			Thousands of U.S. dollars		
			2016					
Method of hedge accounting	Transaction and major hedged items		Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
	Interest-rate swaps:							
Swap rates applied to underlying debt	Pay fixed / Receive floating	Long-term loans	**¥2,400**	**¥2,400**	**¥ —**	**$20,690**	**$20,690**	**$ —**

		Millions of yen		
		2015		
Method of hedge accounting	Transaction and major hedged items	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
	Interest-rate swaps:			
Swap rates applied to underlying debt	Pay fixed / Receive floating Long-term loans	¥2,400	¥2,400	¥ —

The fair value of interest-rate swaps that qualify for special treatment is included in long-term loans.

19 Other Comprehensive Loss

The following table presents the changes in the components of other comprehensive loss for the years ended December 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized holding (loss) gain on securities:			
Unrealized holding (loss) gain arising during the year	**¥(1,975)**	¥1,675	**$(17,026)**
Net gain reclassified into income	**(9)**	(23)	**(78)**
Subtotal	**(1,984)**	1,652	**(17,104)**
Less: tax effect	**1,471**	(433)	**12,682**
Net unrealized holding (loss) gain on securities	**(513)**	1,219	**(4,422)**
Unrealized deferred loss on hedges:			
Unrealized deferred loss arising during the year	**(2,935)**	(1,751)	**(25,302)**
Net loss reclassified into income	**465**	779	**4,009**
Subtotal	**(2,470)**	(972)	**(21,293)**
Less: tax effect	**777**	825	**6,699**
Unrealized deferred loss on hedges	**(1,693)**	(147)	**(14,594)**
Revaluation reserve for assets of overseas subsidiaries	**(37)**	(37)	**(319)**
Translation adjustments:			
Unrealized deferred loss arising during the year	**(7,332)**	(9,347)	**(63,208)**
Net gain reclassified into income	**—**	(25)	**—**
Subtota	**(7,332)**	(9,372)	**(63,208)**
Less: tax effect	**—**	—	**—**
Translation adjustments	**(7,332)**	(9,372)	**(63,208)**
Retirement benefits liability adjustments:			
Retirement benefits liability adjustments arising during the year	**(56)**	(361)	**(483)**
Net loss reclassified into income	**101**	100	**871**
Subtotal	**45**	(261)	**388**
Less: tax effect	**(34)**	94	**(293)**
Retirement benefits liability adjustments	**11**	(167)	**95**
Total other comprehensive loss, net	**¥(9,564)**	¥(8,504)	**$(82,448)**

20 Supplementary Information on the Consolidated Statement of Cash Flows

Information on significant non-cash transactions

The Company and its consolidated subsidiaries recorded leased assets of ¥333 million ($2,871 thousand) and ¥2,503 million and lease obligations of ¥333 million ($2,871 thousand) and ¥2,557 million under finance leases for the years ended December 31, 2016 and 2015, respectively.

Assets corresponding to asset retirement obligations recorded as of December 31, 2016 and 2015 were ¥60 million ($517 thousand) and ¥210 million, respectively. Liabilities corresponding to asset retirement obligations recorded as of December 31, 2016 and 2015 were ¥74 million ($638 thousand) and ¥226 million, respectively.

21 Amounts per Share

Amounts per share at December 31, 2016 and 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets	**¥1,053.28**	¥1,045.02	**$9.08**
Profit attributable to owners of parent:			
Basic	**82.01**	53.93	**0.71**
Diluted	**77.41**	50.88	**0.67**
Cash dividends applicable to the year	**23.50**	23.50	**0.20**

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end. Basic profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the years ended December 31, 2016 and 2015, respectively. Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each the years ended December 31, 2016 and 2015 after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options and bonds with stock acquisition rights.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal year.

The financial data used in the computation of basic profit per share and diluted profit per share for the years ended December 31, 2016 and 2015 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Information used in computation of basic profit per share:			
Profit attributable to owners of parent	**¥ 15,567**	¥ 10,238	**$134,198**
Adjustments to profit attributable to owners of parent	**¥ (20)**	¥ (19)	**$ (172)**

	Millions of yen	
	2016	2015
Weighted-average number of shares of common stock outstanding	**189,820**	189,820
Increase in common stock	**11,023**	11,002
Increase attributable to:		
Bonds with stock acquisition rights	**10,949**	10,949
Stock acquisition rights	**74**	52

22 Business Combinations

Business combination through acquisition

1. Outline of the business combination
   (1) Name and business of the acquired company
   Name of the acquired company: FitnessKeeper, Inc.
   Business: Operator of fitness tracking application, “Runkeeper”
   (2) Principal reason for business combination
   Established in 2008, FitnessKeeper is the operator of fitness tracking application, “Runkeeper”, an application that can track and record fitness activities such as running, walking and cycling through GPS on smartphone devices. “Runkeeper” is a world-class leader in the fitness tracking application category and has over 33 million registered users in the U.S. and worldwide. It provides users with notifications of running distance and pace during exercise, as well as functions to record, manage and analyze activities, which help users visualize and achieve their fitness goals, and ultimately make sports more fun for them.
   The fitness tracking application market is expected to expand with the increased health-awareness from consumers, growth of the smartphone market worldwide and advancement of wearable technologies. The Company reached a decision on this acquisition as the Company believes that the integration of “Runkeeper,” with its globally recognized brand and worldwide user base, and the Company’s technological competence in manufacturing will lead to continued enhancement of the Company’s corporate value.
   (3) Date of the business combination
   March 3, 2016
   (4) Legal form of business combination
   Acquisition of shares by cash
   (5) Name after the business combination
   FitnessKeeper, Inc.
   (6) Ratio of voting rights acquired
   Before acquisition: 0%
   After acquisition: 100%
   (7) Principal basis for determination of the acquiring company
   Through the acquisition of shares of FitnessKeeper, Inc. by cash, the Company holds 100% of voting rights.

2. Period of the operating results of the acquired company included in the accompanying consolidated financial statements
April 1, 2016 through December 31, 2016

3. Acquisition cost of the acquired company and details of the type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposits	**¥9,941**	**$85,698**
Acquisition cost		**¥9,941**	**$85,698**

4. Major acquisition-related costs and nature
Advisory fee and other: ¥182 million ($1,569 thousand)

5. Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period
(a) Amount of goodwill
¥9,506 million ($81,948 thousand)
(b) Reason for generation of goodwill
The reason for the generation of goodwill is mainly attributable to the excess earnings power expected from the future business development of FitnessKeeper, Inc.
(c) Method of amortization and amortization period
Straight-line method basis over 10 years

6. Amount of assets acquired and liabilities assumed as of the date of business combination and major breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥397	$3,422
Non-current assets	600	5,173
Total assets	¥997	$8,595
Current liabilities	¥349	$3,009
Non-current liabilities	213	1,836
Total liabilities	¥562	$4,845

7. Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method.
Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted.

23 Segment Information

1. Outline of reportable segments
Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Meeting of the Company to make decisions on the allocation of management resources and assess performance.

The Company is mainly engaged in business management activities and research and development as the global headquarters.

The Group is primarily engaged in the manufacture and sales of sporting goods. ASICS Japan Corporation and other subsidiaries in Japan are responsible for Japan. ASICS America Corporation is responsible for America. ASICS Europe B.V. is responsible for Europe, Middle East and Africa. ASICS Oceania PTY., Ltd. and ASICS Asia PTE., Ltd. are responsible for Oceania, South-East Asia, and South Asia. ASICS China Trading Co., Ltd. and ASICS Korea Corporation are responsible for relevant areas of East Asia. Local legal entities are independent management units and they set overall management strategy for their businesses and conduct separate business activities.

The "Japan," the "America," the "Europe" (including Middle East and Africa), the "Oceania/Southeast and South Asia Area" and the "East Asia" segments primarily manufacture and sell sporting goods and the "Other business" segment manufactures and sells outdoor products under the "HAGLÖFS" brand.

On December 31, 2015, ASICS Korea Corporation conducted an absorption merger with HAGLÖFS Korea Corporation, and on January 1, 2016, ASICS Japan Corporation conducted an absorption merger with HAGLÖFS Japan Corporation.

As a result of the aforementioned reorganizations, the Japanese region and the East Asian region purchase outdoor products with the HAGLÖFS brand from HAGLÖFS AB (subsidiary of the company) and sell such products in the respective regions from the fiscal year ended December 31, 2016.

As it is practically difficult to prepare the reportable segments for the fiscal year ended December 31, 2015 and the fiscal year ended December 31, 2016 with periods and similar conditions that enable comparability, and furthermore considering the level of materiality of such information, the aforementioned information is not disclosed.

2. Calculation method used for sales, income or loss, assets and other items on each reportable segment
Accounting policies of the reportable business segments are the same as those noted in the "Note 2. Summary of Significant Accounting Policies."

The amount of income on reportable segments is based on operating income. Intersegment sales and transfers between segments are based on market price.

3. Information on net sales, income or loss, assets and other items by reportable segment
Reportable segment information for the years ended December 31, 2016 and 2015 is as follows:

	Millions of yen								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	**¥101,601**	**¥112,864**	**¥107,568**	**¥24,038**	**¥43,460**	**¥ 8,763**	**¥398,294**	**¥ 813**	**¥399,107**
Intersegment	**18,389**	**50**	**34**	**1**	**14**	**401**	**18,889**	**(18,889)**	**—**
Total sales	**¥119,990**	**¥112,914**	**¥107,602**	**¥24,039**	**¥43,474**	**¥ 9,164**	**¥417,183**	**¥ (18,076)**	**¥399,107**
Segment income (loss)	**¥ 6,282**	**¥ 863**	**¥ 11,309**	**¥ 3,631**	**¥ 4,997**	**¥ (421)**	**¥ 26,661**	**¥ (1,188)**	**¥ 25,473**
Segment assets	**¥ 77,948**	**¥ 79,871**	**¥ 84,677**	**¥19,508**	**¥23,508**	**¥14,390**	**¥299,902**	**¥ 42,910**	**¥342,812**
Other items									
Depreciation and amortization	**¥ 1,224**	**¥ 1,814**	**¥ 1,968**	**¥ 370**	**¥ 364**	**¥ 541**	**¥ 6,281**	**¥ 2,073**	**¥ 8,354**
Increases in property, plant and equipment and intangible assets	**288**	**1,797**	**1,289**	**300**	**412**	**148**	**4,234**	**5,677**	**9,911**

	Millions of yen								
	2015								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	¥100,646	¥136,104	¥116,017	¥22,451	¥41,881	¥11,170	¥428,269	¥ 227	¥428,496
Intersegment	22,139	0	6	21	65	6	22,237	(22,237)	—
Total sales	¥122,785	¥136,104	¥116,023	¥22,472	¥41,946	¥11,176	¥450,506	¥ (22,010)	¥428,496
Segment income (loss)	¥ 2,291	¥ 1,500	¥ 10,939	¥ 3,572	¥ 4,643	¥ (666)	¥ 22,279	¥ 5,170	¥ 27,449
Segment assets	¥ 75,999	¥ 80,617	¥ 93,318	¥17,119	¥19,771	¥17,791	¥304,615	¥ 38,853	¥343,468
Other items									
Depreciation and amortization	¥ 1,305	¥ 1,713	¥ 2,124	¥ 381	¥ 235	¥ 620	¥ 6,378	¥ 1,441	¥ 7,819
Increases in property, plant and equipment and intangible assets	825	2,551	2,479	428	390	149	6,822	3,757	10,579

	Thousands of U.S. dollars								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	$ 875,871	$972,966	$927,310	$207,224	$374,655	$ 75,543	$3,433,569	$ 7,008	$3,440,577
Intersegment	158,525	431	293	9	121	3,457	162,836	(162,836)	—
Total sales	$1,034,396	$973,397	$927,603	$207,233	$374,776	$ 79,000	$3,596,405	$(155,828)	$3,440,577
Segment income (loss)	$ 54,155	$7,440	$ 97,491	$ 31,302	$ 43,078	$ (3,630)	$ 229,836	$ (10,241)	$ 219,595
Segment assets	$ 671,966	$688,543	$729,974	$168,172	$202,655	$124,052	$2,585,362	$ 369,914	$2,955,276
Other items									
Depreciation and amortization	$ 10,552	$ 15,638	$ 16,966	$ 3,190	$ 3,138	$ 4,663	$ 54,147	$ 17,870	$ 72,017
Increases in property, plant and equipment and intangible assets	2,483	15,491	11,112	2,586	3,552	1,276	36,500	48,940	85,440

(Notes) 1. (1) Adjustments on segment sales mainly consist of adjustments of intersegment transactions and sales which are not included in the reportable segments.
(2) Adjustments on segment income or loss mainly consists of adjustments of intersegment transaction and income or loss which are not included in the reportable segments.
(3) Adjustments on segment assets mainly consist of the eliminations of investment balance and corporate assets.
2. Segment income or loss is reconciled primarily to operating income on the consolidated statement of income.

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of sporting goods in Japan and overseas. As most of the consolidated net sales were related to sports and leisure-related products, the disclosure of business segment information has been omitted.

Net sales by geographical segment for the years ended December 31, 2016 and 2015 are summarized as follows:

	Millions of yen					
	2016					
	Japan	America	Europe	East Asia	Other	Total
Net sales	¥101,560	¥113,697	¥110,285	¥44,301	¥29,264	¥399,107

	Millions of yen					
	2015					
	Japan	America	Europe	East Asia	Other	Total
Net sales	¥101,226	¥136,245	¥119,312	¥43,000	¥28,713	¥428,496

	Thousands of U.S. dollars					
	2016					
	Japan	America	Europe	East Asia	Other	Total
Net sales	$875,517	$980,147	$950,733	$381,905	$252,275	$3,440,577

(Note) Net sales are based on customer locations and classified by country and territory.

Property, plant and equipment by geographical segment as of December 31, 2016 and 2015 are summarized as follows:

	Millions of yen				
	2016				
	Japan	America	Europe	Other	Total
Property, plant and equipment	¥21,490	¥10,336	¥4,232	¥1,885	¥37,943

	Millions of yen				
	2015				
	Japan	America	Europe	Other	Total
Property, plant and equipment	¥21,020	¥10,578	¥5,656	¥1,935	¥39,189

	Thousands of U.S. dollars				
	2016				
	Japan	America	Europe	Other	Total
Property, plant and equipment	$185,259	$89,103	$36,483	$16,250	$327,095

As there are no customers accounting for 10% or more of consolidated net sales, the disclosure of information on major customers has been omitted.

Loss on impairment of property, plant and equipment by reportable segment for the years ended December 31, 2016 and 2015 is summarized as follows:

	Millions of yen								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	¥570	¥ —	¥474	¥ —	¥ —	¥75	¥1,119	¥ —	¥1,119

	Millions of yen								
	2015								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	¥11	¥ —	¥84	¥ —	¥ —	¥ —	¥95	¥58	¥153

	Thousands of U.S. dollars								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	$4,914	$ —	$4,086	$ —	$ —	$647	$9,647	$ —	$9,647

Amortization of goodwill for the years ended December 31, 2016 and 2015 and the balance of goodwill as of December 31, 2016 and 2015 by reportable segment are summarized as follows:

	Millions of yen								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	¥193	¥46	¥ —	¥ —	¥ —	¥ 221	¥ 460	¥ 693	¥ 1,153
Remaining as of December 31	390	—	—	—	—	2,970	3,360	9,024	12,384

	Millions of yen								
	2015								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	¥193	¥211	¥ —	¥ 0	¥ —	¥ 247	¥ 651	¥ —	¥ 651
Remaining as of December 31	583	48	—	—	—	3,587	4,218	—	4,218

	Thousands of U.S. dollars								
	2016								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	$1,664	$397	$ —	$ —	$ —	$ 1,905	$ 3,966	$ 5,974	$ 9,940
Remaining as of December 31	3,362	—	—	—	—	25,604	28,966	77,793	106,759

Information on gain on negative goodwill has been omitted as these are no applicable items to be disclosed for the years ended December 31, 2016 and 2015.

24 Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2016, was approved at a meeting of the shareholders of the Company held on March 29, 2017:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥23.50 = US$0.20 per share)	¥4,461	$38,457

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
ASICS Corporation

We have audited the accompanying consolidated financial statements of ASICS Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASICS Corporation and its consolidated subsidiaries as at December 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

March 29, 2017
Osaka, Japan

CORPORATE INFORMATION

(As of December 31, 2016)

Corporate Data

Corporate Name:	ASICS Corporation
Founded:	September 1, 1949
Paid-in Capital:	¥23,972 million
Principal Business:	Manufacture and sales of sports goods
Head Office:	1-1, Minatojima-Nakamachi 7-chome, Chuo-ku, Kobe 650-8555, Japan Tel: +81-78-303-2231
Institute:	ASICS Institute of Sport Science 2-1, Takatsukadai 6-chome, Nishi-ku, Kobe 651-2271, Japan Tel: +81-78-992-0810
Number of Employees:	7,864 (consolidated basis)

Executives

Chairman, President and CEO, Representative Director:	Motoi Oyama
Director and Managing Executive Officers:	Katsumi Kato
	Isao Kato
Director and Executive Officers:	Manabu Nishimae
	Tsuyoshi Nishiwaki
Outside Directors:	Katsuro Tanaka
	Kenji Kajiwara
	Takeshi Hanai
	Hitoshi Kashiwaki
Executive Officers:	Yuichi Honma
	Megumi Ohta
	Yuji Mabuchi
	Yoshihiro Ueda
	Koji Kajiwara
	Shinichi Teranishi
	Alistair Cameron
	Ronald Pietersen
	Gene McCarthy
Audit & Supervisory Board Members:	Tadashi Inoue
	Keiji Miyakawa
Audit & Supervisory Board Members (outside):	Hideaki Mihara
	Yuko Mitsuya

(As of April 1, 2017)

Major Consolidated Subsidiaries

- ASICS Japan Corporation
- ASICS America Corporation
- ASICS BRASIL LTDA
- ASICS Europe B.V.
- ASICS Oceania PTY. LTD.
- ASICS Asia PTE. LTD.
- ASICS Korea Corporation
- ASICS China Trading Co., Ltd.
- HAGLÖFS AB

Shareholder Information

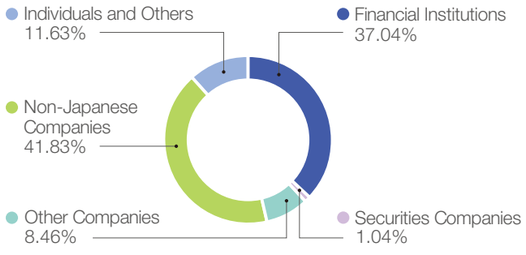
Common Stock:	Authorized.....790,000,000 shares Issued .....199,962,991 shares (including treasury stock of 10,139,476 shares)
Number of Shareholders:	24,324

Principal Shareholders:

Name	Shareholdings (Thousands)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,779	5.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,858	4.1
Japan Trustee Services Bank, Ltd. (Trust Account)	7,049	3.7
Sumitomo Mitsui Banking Corporation	6,607	3.5
State Street Bank and Trust Company 505001	5,928	3.1
Nippon Life Insurance Company	5,679	3.0
Mizuho Bank, Ltd.	5,568	2.9
State Street Bank and Trust Company 505325	3,505	1.8
The Minato Bank, Ltd.	3,358	1.8
JP Morgan Chase Bank 385632	3,015	1.6

Breakdown of Shareholders:

Number of Shareholders



*Ownership ratios were calculated by deducting shares of treasury stock.

Learn more
You can learn more about ASICS
and access more detailed
IR information on our corporate website

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